

NEWS: EUROPE



An election monitor counts ballot papers in Bihar yesterday. The poll was declared largely trouble-free.

Sighs of relief as Bosnia votes in relative calm

Few displaced Moslems take up chance to vote in home towns

By Laura Silber in Brcko... A year ago today, Nato was still bombing Serb targets, a Croat offensive was going on in the west and the killing was still going on in Brcko...

France to launch pension scheme by end of year

By Andrew Jack and David Owen in Paris

The French government yesterday stressed its determination to launch a supplementary pension scheme for private sector employees before the end of the year despite the hostile reception the plans received earlier this month from politicians within the ruling majority...

Paris 'must set a date for start of accounting in euros'

By David Owen in Paris

France must decide in the next few months whether big French companies will be required to start accounting in euros from the planned launch of economic and monetary union on January 1 1999...



Gandois wants common decision on euro start date

Wednesday. If cuts came primarily in capital rather than current expenditure, economic growth - which he expected to climb next year to between 2 per cent and 2.5 per cent - would inevitably be slowed...

A vertical strip of financial advertisements including Union Limited, Berkeley Futures Limited, Market Eye, Reuters 1000, FOREX, and Signal.

Brussels prepares to take beef crisis by the horns

Falling prices because of the BSE scare are putting the EU farm support system under strain. Caroline Southey explains.

Shorter days and cooler evenings, the first hints of autumn, are sending a chill down the spines of EU beef farmers this year. It is traditionally the time when many farmers bring cattle off the grass and take them to market...

Table titled 'EU cattle prices (August, \$ per kg)' with columns for 1995, 1996, and % change. Rows include Britain, Germany, Italy, and Netherlands.

Table titled 'EU beef surplus (000 tonnes)' with columns for 95, 96, and 97. Rows include Production, Consumption, and Surplus.

Fischer's proposal to lift the normal intervention ceiling from the current 400,000 tonnes to 700,000 tonnes for 1996. The Commission has already bought over 300,000 tonnes into intervention this year...

Sweden sidesteps mad cow mayhem

By Hugh Cunniff in Stockholm

Bad weather, not BSE, is being blamed by Swedish farmers for a fall in beef consumption this year. Beef sales fell 6 per cent in the first seven months of the year...

per cent reduction in aid to cereal farmers. Mr Fischer has warned that there is no alternative source for the money and that the cost of heading off a beef crisis has to be met from within the current budget.

Vertical text on the right edge of the page, including 'Under-18s' and 'Bland on the front line holds its fire against Turk'.

NEWS: EUROPE

Mixed feelings at wider enfranchisement in German state

Under-18s vote in Lower Saxony

By Peter Norman in Bonn

It is a reform that appears to enthrone hardly anyone. But yesterday, for the first time in German history, 16- and 17-year-olds were allowed the vote.

Some 146,000 young people under 18 were among 6.2m voters entitled to elect a total of 31,000 politicians in local government elections in the state of Lower Saxony.

Their enfranchisement - unique in Germany and possibly the world - was approved by the state legislature last year.

The development has provoked mixed feelings, not least among the young, in the largely rural north German state.

The reform can be traced back to the efforts and enthusiasm of one man: Mr Marcus Alwes, a 27-year-old member of the Young Socialists, the Social Democratic party's youth wing.

Mr Alwes persuaded the SPD and Green parties in the state parliament to back the idea in spite of opinion polls that showed widespread opposition among the general public, little

evidence of a surge of political awareness among the state's teenagers and indifference on the part of Mr Gerhard Schröder, the state's SPD prime minister. Mr Alwes was encouraged by an academic study which suggested that 40 per cent of 14- to 17-year-olds had a constant interest in politics and a further 30 per cent were occasionally interested. Perhaps more persuasive in furthering the project was the finding that 42 per cent of the age group would vote SPD, against only 29 per cent who would support the Christian Democratic Union

of Chancellor Helmut Kohl. However, the author of the study apparently failed to take account of the mood swings that are endemic among 16- and 17-year-olds. More recent polls point to a declining interest in politics with those who are keen more inclined to support the CDU. Newspaper reports from Lower Saxony suggest that the difficulties of finding an apprenticeship, passing exams or managing relationships rank higher than politics on the scale of concerns of the newly

enfranchised voters. There have been complaints from young people of feeling patronised by established political parties. Winning over the young voters has not been easy for the politicians. The Young Socialists achieved some success with a float in Hanover's "Love Parade" in August. The decision of the Greens and the Free Democrats to seek votes by distributing condoms with slogans consisting of sexual innuendoes pointed to a less sure touch.



Three 16-year-olds vote in Hanover yesterday watched by a 15-year-old, right

Island on the front line holds its fire against Turks

Kerin Hope on relations with Ankara in the Aegean as Greeks prepare for election

People on Syros, a small Greek island in the Aegean with a flourishing tourist trade, hold strong views on Greek-Turkish relations. If tensions between the two notional Nato allies ever exploded into war, they fear that their island, six miles off the Turkish coast, would be invaded.

Mr Miltiades Sarris, the mayor, is in his 40s but still has to attend military training every year. A Greek navy patrol boat is moored close to the town hall, an elegant waterfront mansion built when Syros had grown rich from trading privileges granted by the Ottoman sultans.

Concrete bunkers overlook the nearby coves where tourists go swimming.

Mr Sarris says: "Keeping peace in the Aegean should be the politicians' priority. We get along fine with the Turks: we exchange visits and we're trying to organise a cross-border conference with our opposite numbers in Dada, the resort across the strait. The problem is that policy is decided in other places."

While Greek policy towards Turkey matters more to voters on Syros and the other Dodecanese islands, which are seen as Greece's frontline with Turkey, it is likely to have a broader impact in Greece's general election next Sunday.

Mr Costas Simitis, the Socialist prime minister, wants to improve ties with Ankara.

As well as boosting trade, this would allow the government to cut defence spending amounting annually to some 5 per cent of gross domestic product - the highest percentage among EU members.

The conservative New Democracy party, campaigning on an unashamedly populist platform, takes a tough line towards Turkey. Its leader, Mr Miltiades Evert, claims that Mr Simitis humiliated Greece by accepting US mediation to defuse a stand-off with Turkey in January over the uninhabited Imia islets.

Though opinion polls indicate that voters care more about economic issues than foreign policy, Mr Simitis's determination to deal with the Turks could cost him some votes.

His coolness reinforces the impression that he lacks the stature of his predecessor, the late Andreas Papandreu, whose anti-Turkish rhetoric could be counted on to rally support for the Panhellenic Socialist Movement (Pasek).

In a joint television interview with Mr Simitis at the weekend, Mr Evert said his handling of the Imia crisis had weakened Greece in its dispute with Turkey about sovereignty over small Aegean islands. Mr Simitis snapped back that, faced with a similar crisis, he would do "exactly the same thing".

However, nationalist feeling towards Turkey runs high, not just among conservatives but also in Pasok's hardline faction. Only a convincing election win would allow Mr Simitis to sack hawkish cabinet members and try to restart bilateral talks with the Turks.

Television viewers on Syros, where Pasok usually captures two-thirds of the vote, shrugged off Mr Evert's attacks.

Mr Philemon Alfaras, a civil engineer, said: "Confrontation is the last thing we need. There's too much money to be made from cooperating with Turkey to boost tourism in this part of the Aegean."

Many eastern Aegean islands saw a wave of emigration after Turkey's 1974 invasion of Cyprus, with people from smaller islands moving to Rhodes, the largest centre in the Dodecanese. However, the trend started to reverse after the Socialist governments of the 1980s poured funds into border areas and tourism extended to remote islands.

Syros has done so well out of tourism that its population has grown by 20 per cent to 2,800 in the past 10 years. Construction is booming as the islanders restore their neo-classical houses for conversion into small hotels, or for sale to people from other EU member-states who are now permitted to buy



property in Greece's border areas.

The islanders no longer depend on mainland shipping companies for transport links: Syros's joint-stock ferry company runs a profitable catamaran service to Rhodes.

Its telephone service was upgraded under a special "crash programme" for Rhodes, funded by the EU.

Mr George Kalodoukas, a travel agent who offers visitors a trip up Syros's only mountain to drink champagne and watch the sunset over Turkey, says: "Unlike the big islands, we haven't seen a decline in tourism, or in the quality of visitors in the past few years. We didn't have any cancellations after the Imia incident."

Yet despite their rising living standards, the islanders criticise the Socialist politicians for delaying projects needed to underpin the tourist trade.

Plans to build a sewage treatment plant, which would be funded by the EU, have been postponed. Water has to be shipped year-round in tanker vessels from Rhodes because of delays in a government drilling programme.

Mrs Katerina Tsavaris, who moved back to Syros with her husband to open a shop selling imported kitchenware, says: "Unlike most small islands, we have two schools filled with small children but we still have to take them to Rhodes to see a paediatrician. Living here, you think much more about practical problems than about the Turks."

German minister talks of more welfare cuts

By Peter Norman in Bonn

Just two days after winning parliamentary approval for controversial cuts in Germany's social safety net, a cabinet minister warned yesterday of the need for further savings, while trade union leaders said the new law to cut sick pay could lead to strikes.

Mr Horst Seehofer, the

health minister, told the Bild am Sonntag newspaper that the measures approved by the lower house of parliament on Friday were a "minimal programme" and that Germany would "have to save much more" in the budget, on taxes and in the health and pension insurance systems.

In the same newspaper, Ms Ursula Engelen-Kiefer, the

deputy leader of the German trade union federation (DGB), and Mr Wolfgang Warburg, deputy head of the public service workers union (öTV), warned of strike action if employers acted to cut sick pay by cancelling or refusing to renew existing arrangements that had been agreed through collective bargaining.

The newly approved law to

cut sick pay to 80 per cent of recent earnings from 100 per cent has proved one of the most contentious of the measures in the government's "programme for more growth and jobs" that has been going through parliament since April.

Although the full replacement of earnings has encouraged widespread absenteeism and led to the extra-

ordinary situation of some employees earning more when ill than when at work, the government's action has hit a raw nerve among union leaders. The previous generous sick pay rules were won after a bitter industrial dispute in the 1960s and stood as a symbol of union power. Now that the law has changed, many businesses have made clear that they

will apply the new rules once they come into force in November.

Union anger will increase further if, as expected, the government acts to cut unemployment benefits further. Several ministers, including Mr Theo Waigel, the finance minister, hinted at such action in last week's debate on the first reading of the 1997 federal budget.

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Patten firm over HK legislature

By John Ridding and Philip Stephens in Hong Kong

Mr Chris Patten, governor of Hong Kong, has issued an 11th-hour warning to Beijing, pledging a tough stance to defend the territory's legislature, and claiming China's plans to replace the body threaten a smooth handover next year.

Speaking as China pushed on with preparations for a provisional legislature, Mr Patten said such a body would be "a focus for confusion and public discontent". Dismissing speculation of a compromise, in which pro-democracy legislators might be drawn on to the body, he added: "The Chinese know our position. We are not going to negotiate about least bad solutions... we are totally opposed to a provisional legislature."

With Beijing proceeding with preparations to replace the Legislative Council, the issue has emerged as the most serious remaining obstacle to a smooth handover on July 1 next year. It threatens to overshadow progress on bilateral issues, such as an expected agreement on a new container terminal, and to undermine a recent improvement in Sino-British relations.

Nominations for a 400-member committee which will choose the provisional legislature and the territory's post-colonial governor closed on Saturday, marking a big step towards establishing the body. Almost 6,000 people put their names forward and membership will be decided by the 150-strong Beijing-appointed Preparatory Committee.

Chinese officials say the provisional legislature will deal only with preparatory work ahead of the handover. But members of the existing legislature - elected last year for a four-year term under Mr Patten's political reforms - fear their position will be undermined, while government business would face severe disruption.

Mr Patten dismissed claims of differences with the British government, citing statements by Mr John Major and Mr Malcolm Rifkind. "What the prime minister and the foreign secretary have said is actually a lot firmer and more explicit than anything I have ever said," said Mr Patten.

Mr Rifkind has said Britain would have a duty to pursue every legal avenue, along with others, available if there was any suggestion of a breach of the Joint Declaration, the Sino-British treaty governing the handover.

"It is extremely difficult to see how Chinese officials can say the establishment of a provisional legislature before June 30th could be in line with the obligations in the Joint Declaration," said Mr Patten.

Mr Patten, however, promised full co-operation with the chief executive-designate, who will head the post-1997 government, and said he favoured a rapid decision on the post. "The sooner, the better... I have always thought that it would be easier to deal with contentious issues when there was somebody in place who was going to have real responsibility from next summer onwards."

N Korea 'may need to join World Bank'

By Peter Montagnon, Asia Editor, in New York

North Korea may need to join the World Bank to finance essential improvements to its electricity grid, according to the head of the international consortium supplying the country with safe nuclear generators.

The new nuclear reactors will not work without modernisation of the grid because they need an assured source of power which North Korea cannot guarantee at present, said Mr Stephen Bosworth, executive director of the Korean Peninsula Development Organisation (Kepto).

"To finance the cost they're going to have to change a lot of things," he said. "The most obvious source of finance would be the Asian Development Bank or the World Bank, but they have yet to decide to join one of those."

Kepto, which numbers 13 governments among its members, was set up after the US reached agreement with North Korea to supply it with safe light water power generation in return for its decision to freeze and then scrap its previous graphite reactor programme. The agreement was negotiated amid fears that spent fuel from the graphite reactors could be used to produce weapons-grade plutonium.

Mr Bosworth said the cost of the project was likely to exceed original estimates of \$4bn-\$6bn and admitted the year's delay spent negotiating specifications for the new reactors meant it would be "very difficult" to meet the target date of 2003 for completion.

But he said Kepto had now become an operational entity rather than "a figment of someone's imagination". Preliminary work on the reactor site in North Korea was to start within weeks, so contractors would be able to work through the harsh winter months.

North Korea had pressed Kepto's founding governments - the US, Japan and South Korea - to include modernisation of the grid, but while they agreed it was necessary, they considered it a separate project from provision of the reactors, he said.

The total cost of grid

North Korea yesterday said it had clinched \$252m in deals with foreign businesses, Reuters reports from Rajin. The contracts, signed at a three day forum on investment in the Rajin-Sonbong free trade zone, ranged from hotels to motorcycle plants.

North Korea is hoping to create a 750 sq km free trade zone in the north-east. Confirmed deals included a \$180m plan by the Emperor Group of Hong Kong to build a five-star hotel on the coast near Rajin. The group would invest an additional \$30m in a banking venture, a North Korean official said.

improvements was likely to be \$200m-\$300m. This was a large sum for a country as short of foreign exchange as North Korea. It would almost certainly need help from an international development bank.

"Otherwise we're going to finish these reactors and they're going to sit up there, unless they can find some private source of financing, which, under current circumstances, I consider unlikely," Mr Bosworth said.

Kepto was still calculating the total cost of the reactor project and it was not clear how the burden would be shared if it turned out much higher than originally expected, he added. The agreement provides for South Korea, whose Kepco utility is to manage the project, to play a central role and Japan to play a significant one.

These two countries are expected to cover the capital costs as contributions from other members go towards a separate provision to provide North Korea with 500,000 tonnes of heavy fuel oil annually while the reactors are under construction.

The European Union, which sent officials to last week's Kepto annual meeting in New York, had indicated a willingness to make an annual and sustained contribution to Kepto, probably of about Ecu15m (\$19.2m). "This would go a long way towards solving some of our financial problems," Mr Bosworth said.

There was also an improved prospect of the US meeting its full \$25m commitment this year after the Senate voted in favour of such a payment in July.

Japan goes back to the drawing board

William Dawkins on a massive increase in research expenditure

It may stretch credibility that Japan, the great industrial innovator, is gripped by fear that it may, by default, have become one of the advanced world's laggards in basic science and technology research.

Policy-makers are worried, however, that Japan's lateness to exploit key technologies, from the information highway to materials science, is a competitive handicap. This is what has behind the government's recent decision to double publicly funded research and development spending to ¥17,000bn (\$155bn) over the next five years.

A parsimonious finance ministry can be expected to chip away at how much money will be spent. Even so, this plan is serious. It was agreed by parliament in July, with cross-party support and the blessing of the Ministry of International Trade and Industry. Detailed preparations for spending the money are under way.

The first project to be funded by the new budget is a brain research centre to be opened in Saitama, a north-west suburb of Tokyo, early next year, with an annual budget of ¥100bn, 100 times more than the Japanese government allocates to this field than at present. It

Other projects include the creation of what the government's Science and Technology Agency calls a "super-steel" with double the strength and life of normal steel, and a 10-year plan for a super-computer "earth simulator" for weather and earthquake forecasting.

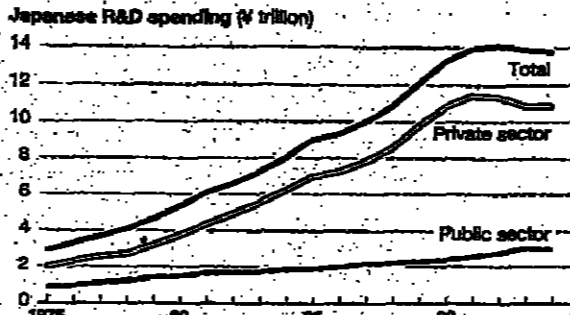
All this is the fruit of a proposal put together last October by a former MITI official, Mr Koji Omi, now a member of parliament for the ruling Liberal Democratic party, with the backing of the main political parties. It is unusual for Japanese legislation to be prepared by politicians rather than the bureaucracy, a mark of anxiety over Japan's perceived brain drain.

"Parliamentarians share this sense of insecurity over the future. We can no longer assume, as we did in the high growth of the 1980s, that we are number one in manufacturing technology," says Mr Toshio Ochiai, who as director general of the agency's planning bureau is responsible for getting the plan off the ground.

Among the impediments to innovation which the scheme aims to dismantle, he lists the following:

- Companies' growing

Japan R+D: a case for renewed study



International comparison of indices in science and technology

| | Japan | US | Germany |
|--|-------|------|---------|
| R&D spending in ¥ trillion | 17.0 | 4.5 | 3.5 |
| R&D spending as a % of GDP | 2.84 | 2.44 | 2.33 |
| Government % share of R&D spending | 21.5 | 36.1 | 37.2 |
| Private sector's % share of R&D spending | 78.4 | 63.9 | 61.1 |
| Number of researchers (per 1,000) | 64.7 | 95.3 | 24.4 |

Source: Science & Technology Agency

focus on short-term survival at the expense of long-term planning they favoured when they were more confident of holding their position as world leaders.

- A sudden decline in Japanese technological competitiveness in several key sectors.
- The puny role which government plays in research and development compared with the US and Europe.

For much of Japan's economic growth following the second world war, companies were content to borrow the "seeds" of new technology from foreign competitors, says Mr Ochiai. Trade tensions and the globalisation of these markets have rendered that strategy obsolete.

But rather than redoubling basic long-term research to compensate, Japanese companies have been obliged by the yen's strength and the stagnation of their domestic market over the past five years to focus on cutting costs. Corporate R&D led a sudden decline in overall technology spending. The plan would bring state R&D spending closer to rivals' levels. But that only invites the question, admits Mr Ochiai, of whether throwing government money at the problem is sufficient. Failed state technology ventures in the west - as well as in Japan - suggest that it is not.

That is why the Japanese plan proposes wholesale changes in the working lives of its 640,000 under-performing and underpaid researchers. For example, rather than being given life-time employment contracts, research workers are to be hired from next year merely for the duration of their projects.

It all demands a radical break with the state science sector's existing sleepy culture. Then again, the ability to meet commonly agreed objectives is one of the Japanese system's great strengths.

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NEWS: UK

Sell-off of state enterprises has raised up to \$18bn a year, report says

Privatisation boost to economy

By Gillian Tett, Economics Correspondent

The privatisation of state enterprises such as British Steel and British Telecommunications has benefited the UK Treasury by between \$2.7bn and \$11.8bn (\$10.45bn and \$38.06bn) a year over the last 10 years, according to a report today.

The report, which covers 33 UK companies privatised since the early 1980s, was commissioned by the Centre for Policy Studies, a think-tank that supports the ruling Conservative party. However, the research was carried out by the Independent group National Economic Research Associates.

The report argues that in 1980 the state-owned companies were absorbing 2453m of government money in the form of subsidies and loan finance. By 1987 they were contributing £5.4bn to the government, and have continued to generate large inflows for the Treasury ever since. The highest, according to the data, was in 1993, when the inflow was £11.6bn.

Part of this reflects the sales of shares in the companies, which have generated average annual net proceeds

of £3.5bn since the 1984-85 financial year. The government has also received annual net receipts from taxation and dividends of between £3.9bn and £5.8bn since 1986-87.

This additional bonus reflects:

- an increase in corporation tax receipts due to rising profitability;
- dividend receipts on the shares that the government has retained in companies such as BT and Powergen;
- continued interest receipts and repayments on the debt these companies still owe to the government.

The report cites the 1994 BT privatisation as a particularly successful story: it points out that the company not only yielded more than £10m in sales proceeds, but has also generated more than £1bn a year in corporation tax, dividends, interest and debt repayments.

British Steel is also deemed an "extraordinary story": although the company was absorbing state money in the early 1980s, it generated corporation tax proceeds of £20m between 1988 and 1995.

The report's findings are likely to revive charges by

the opposition Labour party that the level of profits achieved by the privatised companies demonstrates that they were sold too cheaply. It will also fuel suggestions that a Labour government should impose a windfall tax on profits.

Mr Alistair Darling, Labour's shadow Treasury chief secretary, said: "The conclusion [that privatisation benefited the economy] is not surprising given the source of the study. We believe that the windfall tax has every justification."

Editorial comment, Page 15

Sterling's rise 'had long-term effect'

By Vanessa Houldier and Gillian Tett

The appreciation of sterling in the early 1980s permanently damaged the UK's trade performance, new academic research has found.

A report, published by the National Institute of Economic and Social Research today, says that the temporary surge in value of sterling between 1979 and 1981 led to a sharp rise in imports. The increase continued throughout the 1980s - even though sterling subsequently weakened, the report adds.

The findings are likely to fuel the debate about the wisdom of the UK becoming locked into a European currency union. A separate survey of directors of quoted companies published today has found that a majority of UK business leaders believe that joining in European monetary union would damage the UK's economic health.

Nearly six out of ten of the directors surveyed are opposed to monetary union, believing that it would push up unemployment, taxes and interest rates. Almost 70 per cent believe that the UK should exercise its opt-out clause and postpone adoption of the single currency beyond its planned start date of 1999. Nearly three-quarters believe that monetary union would be a prelude to political union; even more condemn that prospect.

The survey, which was conducted by Hemmington Scott and sponsored by Price Waterhouse, is based on 392 responses to 10,500 questionnaires sent out in July.

However, the results contrast with some earlier surveys, such as a poll of 5,000 companies of all sizes that was conducted in November by the Confederation of British Industry and the British Chambers of Commerce. This showed that business was positive about the benefits of a single currency.

UK NEWS DIGEST

Elderly care insurance urged

The UK should introduce compulsory national insurance to finance future long-term care of the elderly, an independent inquiry by the Joseph Rowntree Foundation recommends today.

The report proposes initial compulsory insurance contributions of about 1.5 per cent of earnings, which would provide more than £2bn (\$4.68bn) a year. Provision of long-term health and personal care under the inquiry team's proposals would, like NHS hospital care, become free for everyone. But people with the means to do so would meet the costs of accommodation and food in residential homes.

WORKPLACE STRESS

More managers struggle to cope

Workplace stress has become one of the most dominant concerns of UK managers, the Institute of Management says today.

More than half of a sample of 1,000 managers said increasing demands of work were affecting their health. This compares with 40 per cent of a similar sample when the survey was first carried out in 1993.

Extra workloads meant 84 per cent were working in excess of their official working week. Half the respondents said they took work home.

Every day, about 270,000 people take time off work in the UK because of work-related stress; the annual cost in sick pay, lost production and health service charges is reported to total £7bn (\$10.92bn).

TELECOMMUNICATIONS

Operators 'poorly organised'

The UK's telecommunications operators are poorly organised to benefit from their customers' ambitions to move into "electronic commerce" and will find themselves sidelined by information technology groups, according to the first phase of a long-term research study into multimedia network services sponsored by the Department of Trade and Industry, IBM, HSBC James Capel, Mercury Communications and Global One, the joint venture between Deutsche Telekom and France Télécom.

The study, published today, includes interviews with 73 operators, customers and analysts. There are about 150 licensed operators in the UK including British Telecommunications, Mercury, Energis and the cable companies, and the study is comprehensively damning in its criticism of their capabilities.

MOTOR INDUSTRY

Jaguar claims quality victory

Jaguar Cars' Browns Lane factory near Coventry in the Midlands has taken over as the best quality plant in parent Ford's network worldwide, and its cars are now higher quality than those of its German rivals, Jaguar chairman Mr Nick Scheele claims.

Mr Scheele, quoting statistics from the influential US JD Power consumer satisfaction index surveys, said the XK8 is the first all-new Jaguar sports car for 20 years. Jaguar expects the North American market to absorb 60 per cent of XK8 output, with 12,000 cars planned in the first year.

Freight trains slow to deliver the goods

Privatisation has yet to exploit the full potential of the rail network

Britain's privatised rail network wants to win back freight business lost to the roads. But attempts to reclaim freight shipments are being hampered by the high level of track access charges, the government's meanness with subsidies, and delays in the privatisation of British Rail's freight operations.

When the break-up of BR and the privatisation of rail assets was launched 2½ years ago it was welcomed by hauliers and companies shipping goods as promising a much improved service to industry.

The expansion of the motorway network and the low cost of road haulage had led to a decline in rail's share of total freight transport from 43 per cent in the 1950s to just 7 per cent.

BR had long been criticised for failing to provide a customer-friendly service to freight shippers. Reliability was poor and the calculation of costings often appeared eccentric, while the relatively short distances involved in many UK freight movements meant that rail was not viable.

services after privatisation, freight is still falling to exploit its full potential.

Negotiations between English Welsh & Scottish Railway (EWS), the US-owned company that handles bulk freight shipments, and Railtrack, owner of track and signalling, aimed at creating a cheaper, more flexible track access regime, have become bogged down.

EWS, which was acquired last February by Wisconsin Central Transportation, wants to replace individually negotiated track agreements with a simple tariff. At present EWS cannot respond quickly to customers seeking a quote for rail shipments because it can take Railtrack up to six months to calculate its track access charges.

Meanwhile, subsidies intended to promote rail freight are being doled out with such reluctance that they are only having a marginal impact on freight volumes. An investigation by the UK's National Audit Office into the freight facilities grant, which funds freight terminal equipment, found that the Department of Transport had disbursed only £32m (\$50m) out of £70m available between

April 1985 and March 1996. Many shippers are reluctant to commit themselves to move specific volumes until they have seen how well rail performs.

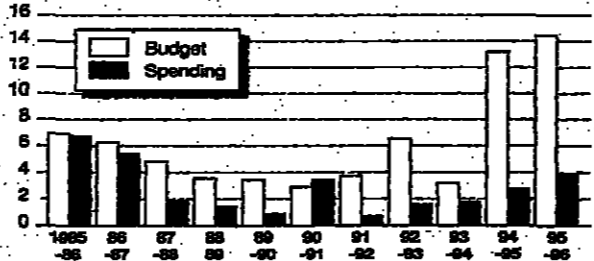
A third factor holding back freight volumes is the difficulty the government has had selling off BR's freight businesses. Uncertain about future ownership, some shippers have scheduled consignments by road rather than rail.

Freightliner, which handles domestic container shipments, was twice withdrawn from sale before being finally sold to its management team last May. BR's Trainload Freight business, now renamed EWS, was initially broken into three companies but then offered as a single entity. The final part of BR freight, the Railfreight Distribution division, which takes containers through the Channel tunnel, is expected to be privatised by early next year. The government is keen for freight to shift back to rail and shippers want to broaden their options. While a rapid reversal of the decline that has taken place may be too much to expect, ministers and railway managers are hoping for some sign that privatisation can deliver the goods.

Charles Batchelor

Decade down the track

Freight: grant budget and actual spending (£m)



Rail statistics (year to March)

| | 1992 | 1993 | 1994 | 1995 | 1996 |
|---------------------|-------|-------|-------|-------|-------|
| Receipts (£m) | 657.8 | 634.8 | 565.4 | 514.2 | 433.8 |
| Traffic (tonnes m) | 135.6 | 122.4 | 103.3 | 97.4 | 94.0 |
| Net tonne miles (m) | 9,537 | 8,637 | 8,563 | 8,073 | 7,790 |

Sources: British Railways Board, Department of Transport



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مكتبة الامارات

A town of tennis, not testosterone

My next door neighbour, a Democrat, is a political consultant. So, in his way, is the Republican at the top of the block, though he is having problems getting through to Bob Dole. One of Bill Clinton's top strategists has a house 200 yards away. Just round the corner lives an international civil servant who used to make a nice income dispensing political advice to foreign candidates.

My block also contains three lawyers, two lobbyists, two journalists, two diplomats, including an ambassador, two independent businessmen and a very senior accountant, all plugged into the capital's main industry. My block sounds disgustingly well-heeled - maybe it is - but it is also a microcosm of Washington. When we talk, the subject is more likely to be politics than the price of eggs or even the Redskins football team.

But my neighbours are otherwise normal. They have children, work hard, run foreign cars and

four-wheel-drives, play tennis, drink chardonnay and smoke cigars. We look out for each other and have collectively hired a patrol guard to keep us safer at night.

The point of this little enclum is that my neighbours, their political connections notwithstanding, really are good ordinary people. Yet the impression reasonably gleaned of Washington anywhere outside the city's Beltway is of a den of iniquity, influence peddling and double dealing. Now we have all been tarred with a far worse brush: we are sex-crazed.

It is, naturally, the fault of Dickie Morris. For the benefit of the female US astronaut who has been circling the earth in a Russian spaceship for most of this year, he is the president's political consultant who was forced to quit the campaign for having told

DATELINE
Washington:
 good, well-heeled people are now depicted as sex-crazed solely because of their political connections, writes
Jurek Martin

the uptake, flogged his story to a New York publisher for sums far greater than hers. Most of Washington thinks he is a sleazebag, apart from Republicans who may not dissent but are eager for any dirt Morris can dish on the Clintons, preferably before election day.

Morris actually lives in Connecticut, where extra-marital sex is doubtless a state industry. Nevertheless, he conducted his affair at the sedate Jefferson Hotel, just a handful of blocks from the White House itself. This is known as guilt by association.

In fact, the first family's residence has known seamy moments. A cheerful newspaper called *Sex Lives of the US Presidents* and published (where else?) in Britain - has predictable fun with JFK, LBJ and FDR, all now known to have wandered, as

well as the less easily proved allegations about the present occupant.

But it also recalls that Grover Cleveland acknowledged an illegitimate child while president, that Teddy Roosevelt had a condom (Rough Rider) named after him and that Martin Van Buren, though a widower, was considered the great roué of his time (which may explain why there are so few streets named after him).

There may also be something in the fact that merely being an election campaign consultant serves as a powerful aphrodisiac. Four years ago, James Carville, from the Clinton camp, and Mary Matalin, who worked for George Bush, conducted a high-profile affair, though such relationships do not normally cross party lines. They have now married, written a book and are still good

for political one-line quotes. Joe Klein, the no longer Anonymous author of *Primary Colors*, found sex in Jack Stanton's (read Clinton's) staff, though much of it was portrayed, accurately enough, as more the product of emotional exhaustion than outright romance or, heaven forbid, lust.

That pretty much conforms to the realities of contemporary Washington. There have been enough celebrated cases of political careers derailed by sex - Gary Hart, Wilbur Mills and Bob Packwood are representative examples - to suggest a contrary conclusion, as might, in his not-so-younger days, the notoriety enjoyed by the unsinkable Ted Kennedy.

But most of this town seems more driven by paperwork than testosterone. Single women, and increasingly men, routinely com-

plain of the lack of available potential partners. The singles bars of Georgetown and Adams Morgan are often more populated by the military out for a weekend's fun from nearby bases, or the peripatetic Eurotrash crowd, than unattached deputy assistant secretaries of commerce or housing looking for relaxation or romance - who are just as likely still to be in their offices.

Perhaps this is why Dickie Morris, who has also confessed to fathering a love child in Texas, decided he had to pay for his sex in Washington. At least he does not appear to have charged that part of his bill to the Clinton campaign.

Relationships, including inter- and intra-sex, may flourish more at office softball games or on public tennis courts, of which my neighbourhood has more than a few. Not of course, that my very political immediate neighbours would ever dream of thinking of anything other than their topspin backhands.

The Monday Profile: David Sullivan, Sunday Sport

In search of sex appeal

Just when you thought Britain was safe from headlines such as "World War Two Bomber Found on The Moon" and "My Sex With Space Being", David Sullivan is planning a revival campaign for his flagging tabloid, Sunday Sport.

As the specialist newspaper marked its 10th anniversary yesterday with a front page featuring the "UK's Number One Model" and a nipple count for the issue of 127, the multi-millionaire publisher of soft pornography and joint owner of Birmingham City football club promised to bring back Sunday Sport's glory days.

"Circulation is not good, but we are on the way back now. We are going to market the Sport name massively, with T-shirts, cards, posters. We're going to bring more hard news into the paper. I believe the future of publishing is in niche marketing," says Sullivan, who has published 30,000 copies of a copiously illustrated book, *10 years of Sunday Sport*, to mark the anniversary.

Sullivan owns 60 per cent of the Sport with his partners David and Ralph Gold, who hold 25 per cent each. He began his business career at the age of 11, buying and selling football programmes. In his time he has owned a range of sex shops and soft pornography magazines, and still publishes *Porn*, the men's magazine. He bought first division Birmingham in 1983 for £700,000 and gave it an immediate injection of £700,000. Although accumulated losses at the club stand at £2m so far, Sullivan says the club's ground was recently valued at £10m-£12m.

The Sport now publishes every day except Saturday. Since its best days, when the Sunday edition achieved a circulation of 950,000, the slide has been remorseless. Sales of £50,650 in the six months to July, down from 306,467 last year.

But despite the slide the paper is still profitable. Sullivan - who



also breeds race horses, loves short-term gambles on the stock market and has a large property portfolio - estimates the profit this year will be £5m. He is hoping for £5m next year and £20m a year within three years.

However, Sunday Sport, which retails at 50p, has little conventional advertising. It achieves much of its revenue from advertisements for pornography, sex aids and premium-rate sex chat lines.

The process of revival began yesterday with the printing of an extra 200,000 copies, and Sullivan, who is responsible for a publication that many would not regard as a newspaper at all, says he will be surprised if circulation is not soon back up to 400,000. "We have all the ingredients of the old seaside postcard upgraded to 1996 - the fat ladies, the vulgar humour, the outrageous, the crude. That is what the Sport is all about," says 47-year old Sullivan, who graduated in economics from London University's Queen Mary College.

He was talking in the enormous office of his 57m Neo-Georgian mansion, Birch Hall in Essex, dressed in casual clothes and Birmingham City carpet slippers. Sullivan runs all his business activities from the home that features a full-size electronic bowling alley and huge indoor swimming pool.

"Sometimes I don't go out for three or four days," says Sullivan, who surrounds himself with bronze sculptures of race horses and other racing memorabilia. He believes his property empire - which ranges from warehouses at Royston to an office block in Edinburgh - is worth about £100m. But it is the Sport and Birmingham City that give him most pleasure. "I read the Sport every day and eagerly look forward to it. It pops through my letter box with The Sun. That's why I'm good at doing it. I am a tabloid newspaper buyer," he says.

Apart from improving the marketing of the Sport, Sullivan is always looking for that special person or event that will capture the imagination of the Sport's readers - almost exclusively men aged under 30. The biggest draw so far has been Gert Bucket, the 68-stone American woman who came to the UK to take off most of her clothes for Sport readers.

Last year's big draw was the woman who wanted to establish a record by making love to 300 men in 24 hours. Naturally, numerous Sport readers wrote in to participate.

Sullivan would like one day to float the Sport, but his past may present a serious barrier. "I have come out of the sex industry so I am never going to be an acceptable figure to the City, although my businesses have always made money," says Sullivan.

Another ambition - but one unlikely to be realised - is to be allowed to run Express Newspapers for a year. "I would love the challenge of reviving its fortunes," he says. He also has another, more personal, hope. After a lifetime surrounded by sex, Sullivan would like to have children within the next few years. "Whether I'm up to it at my age I just don't know," he says sadly.

Raymond Snoddy

FT GUIDE TO Nazi gold

Swiss banks are being accused of holding on to tons of ill-gotten gold deposited with them by the Nazis. How much more are the banks hiding? Private bankers estimate that more than \$2,000bn is held by wealthy individuals in offshore bank accounts and other financial investments outside their home country. How much of that is legitimate is anyone's guess.

You mean some offshore bank accounts are legitimate?

Sure. Many customers have perfectly good reasons for holding their money outside their home country - expatriate businesspeople, for instance. Since tax rates around the world have generally come down from the punitive levels of the 1970s, most now even declare their income to the tax inspector.

But not all...

Police and finance ministry officials estimate that between \$300bn and \$1,000bn which has its origins in crime is laundered every year, though numbers in this area are pretty much a matter of guesswork. Much of it goes through offshore banking havens.

Is Switzerland the biggest haven?

By no means. George Moscarino, a fraud specialist with the US law firm Jones Day Reavis & Pogue, estimates that money launderers use 125 countries. Police say they can hardly be expected to raise their eyebrows at countries like the Cayman Islands, with 33,000 inhabitants and \$460bn in bank deposits. Even bankers in rival centres admit Swiss controls are generally tight. Swiss private bankers live on their reputation and therefore have to be choosy about their clients.

But if the tight Swiss bank secrecy was legendary? Business confidentiality is one of the basics of banking anywhere in the world, but the Swiss banks have certainly made an art out of secrecy. They have traditionally argued that a banker's relationship with his customer is privileged in the same way as a doctor's or lawyer's. Back in the 18th century, Geneva bankers used to cross the border to post their letters to clients in France to avoid alerting the revolutionary government. They still sometimes meet customers in airport lounges.

Is that all?

In 1934, Switzerland enshrined the principle of bank secrecy in law. Ironically, given the present row about Nazi gold, one of the main purposes of the law was to protect Jews who had shipped their money out of Germany - an offence punishable by death. Many other countries, including the UK and US, also have bank secrecy laws, though few will send anyone to jail for making unauthorised disclosures.

How safe are Swiss bank accounts from prying eyes?

Switzerland, in common with most other countries, now co-operates with criminal investiga-

tions from overseas. And banks are explicitly exempted from normal bank secrecy rules if they pass on suspicions of money laundering to prosecutors. In fact, some bankers say Switzerland has been losing steady customers ever since the Philippine government managed to win back some of the millions President Ferdinand Marcos had stashed in the country.

Sounds good in theory. What's the catch?

Foreign governments' main complaint is that Switzerland doesn't recognise tax evasion as a criminal offence, so won't co-operate on tax investigations. Finance ministry officials in some countries also want Swiss bankers to be required, rather than just permitted, to report their suspicions of money laundering.

What about numbered accounts?

The Swiss numbered account is partly mythical. Like bank accounts anywhere else in the world, Swiss accounts have numbers; and as in most other countries, Swiss bankers have to know the name of the customer. But the name is usually known only to senior officers. Junior employees handle the account by number without seeing the name.

Where can I get a real numbered account, then?

Austria still has anonymous savings accounts, much to the fury of the European Union, even though they are limited to Sch200,000 (£12,214). Turkey also has anonymous accounts. International sleuths also dislike Liechtenstein, where banks can open accounts for a holding company with a lawyer or fiduciary as front man, without knowing who is the ultimate customer.

Is anyone doing anything about this?

The 1995 economic summit set up a group called the Financial Action Task Force, which now has 28 members. It acts as a sort of support group, with a set of 40 recommendations on the kind of money laundering laws members should put in place. As a minimum, the task force recommends that laundering the proceeds of drug trafficking should be made a criminal offence.

Does the task force have any teeth?

Its condemnation earlier this year was enough to persuade the Seychelles to back off at least partly from a law intended to encourage inward investment, which everyone else saw as an open invitation to money launderers. And the Offshore Group of Banking Supervisors, with members such as the Caymans, Bermuda and Jersey, has committed itself to implementing the task force's recommendations.

So all the offshore havens are closing down?

Dream on. Banking centres recognise that it is bad for business to be labelled as "dirty", but they also know that secrecy is a great marketing tool. Even the Rocky Mountain state of Montana has been thinking of launching numbered accounts, though the US federal government may have something to say about that.

Robert Chote - Economics Notebook

Stable prices a recession away

The consequences of pushing inflation lower are poorly understood

It has been argued that the US is only one recession away from achieving price stability. But with opinion polls showing that for 10 years now very few US voters have thought that inflation is a serious problem, it seems unlikely that many people would wish to pay that price.

With the annual rate of price increases now running at below 3 per cent in 18 of the 27 member countries of the Organisation for Economic Co-operation and Development, the costs and benefits of travelling the extra mile to price stability are now being debated by policymakers across the industrialised world.

What would be the benefits of pushing inflation lower? In theory it should help make the economy work more efficiently. When the average level of prices is stable, this makes it easier for individuals and businesses to detect when the prices of particular goods, services and production inputs change relative to each other. The clearer these price signals are in a market economy, the more likely it is that producers will produce what consumers want to consume.

A world in which companies are confident of interpreting price signals correctly is likely to be one in which they are encouraged to maintain employment at high levels and to invest in capital equipment, innovation and product development. It should therefore be one in which economic growth is maximised.

Although numerous studies have confirmed that inflation impedes growth when it is high, rapid or unexpected, there is lit-

tle evidence that cutting inflation from the levels seen at present in industrialised countries will improve long-term growth prospects. Michael Sarel at the International Monetary Fund calculates that economic growth rates are maximised at an inflation rate of about 6 per cent.

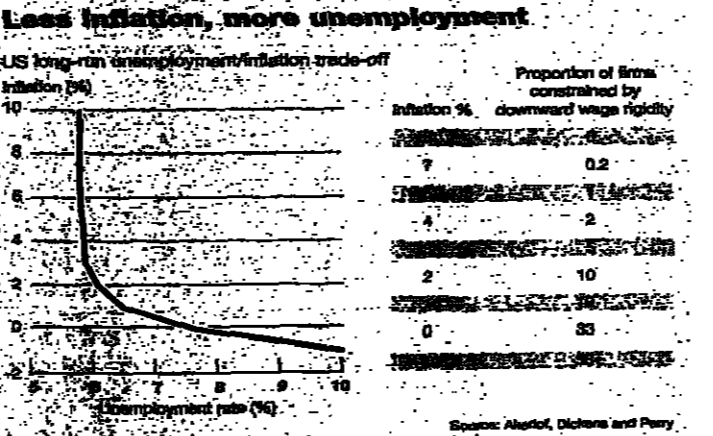
Understandably, these studies are not popular with central banks. They argue that countries should pursue price stability, although statistical problems mean that may equal measured inflation of about 2 per cent.

The central banks have found an ally in Martin Feldstein, president of the National Bureau for Economic Research. He has calculated that there are big benefits to be gained from moving to price stability in the US, because it would reduce the extent to which the tax system discourages saving and overpromotes investment in housing.

Feldstein calculates that cutting inflation by 3 percentage points - say from 3 to 1 per cent - would raise the level of national output permanently by 1 percentage point. He argues that the cost of reducing inflation by this amount, by raising interest rates and squeezing economic activity, would be a one-off loss of 5 per cent of national output - which could therefore be recouped in five years.

Given the duration of the electoral cycle in the US and most other industrial countries, it is not clear that politicians operate on a sufficiently long time-scale to accept that trade-off.

But there is a more fundamental problem. Feldstein implicitly



assumes that the economy will return to its original trend growth path after bearing the one-off output loss. However, part of this output loss may become permanent because of reduced investment and erosion of capital stock, especially if the economy were to be squeezed abruptly. That would eat into the output gain from lower inflation.

Another assault on the case for price stability has been launched by George Akkerlof, William Dickens and George Perry, in a Brookings Institution paper which was the talk of the Kansas City Federal Reserve symposium in Jackson Hole, Wyoming, last month. They dispute the central theoretical tenet on which orthodox monetary policy has been based in recent years: that there is a unique "natural" rate of unemployment at which inflation is stable, and that at other

rates of unemployment inflation will fall or rise without limit.

Akkerlof *et al* argue instead that at low rates of inflation there is probably a long-run trade-off between inflation and unemployment like that shown in the graphic. They argue, for example, that reducing US inflation to zero would permanently raise unemployment from its current natural rate of about 5.8 per cent to about 7.5 per cent.

"Maintenance of zero inflation measurably increases the sustainable unemployment rate and correspondingly reduces the level of output," they say.

The rationale that Akkerlof *et al* rely upon is the familiar idea that employers find it difficult to cut wages in cash terms, because it is seen as unfair and damaging to morale. The cuts in real wages which the efficient allocation of resources occasionally requires can therefore be achieved more

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MANAGEMENT

Managers face a difficult task when differentiating between mere eccentricity and stressed-out behaviour in the workplace, reports Richard Donkin

A bit of an odd fish

Stress in the workplace has become one of the greatest concerns of managers, according to a report published today by the Institute of Management*. Over a quarter of a million people take time off work every day because of work-related stress; the annual cost in sick pay, lost production and health service charges is reported to total £7bn.

The IM found that unreasonable deadlines, working excessive hours and at weekends, having to implement redundancies and dealing with bullying, intimidation and office politics are all taking their toll.

In recent days there have been suggestions that Peter Young, one of Morgan Grenfell Asset Management's top fund managers, had been suffering from stress. The company's German parent, Deutsche Bank, was forced to pump more than £180m into three funds as a result of Young's speculative investments.

As the extent of his activities became apparent, colleagues talked of what had been Young's increasingly eccentric behaviour - his designs for a rocket launcher and the development of a model to mimic the burrowing of termites. His wife told of him sitting in the dark with his children, with the lights off and the curtains closed, and his obsession with buying large quantities of food. Young was said to have returned from one shopping expedition with 30 jars of pickled gherkins.

The problem for managers is weeding out what might be termed the "gherkin factor" from the other types of eccentric behaviour that are so prevalent in society. How much eccentricity should be tolerated in companies? What type is healthy and productive and what forms of behaviour might indicate that an employee has become damagingly stressed?

The first step is to identify the true eccentric. David Weeks, a clinical neuropsychologist at Edinburgh Royal Infirmary, has co-authored a book on eccentrics after studying them for 10 years. He says they do display identifiable traits that may be apparent in a job interview or on a CV.

Look at the candidate's hobbies and interests, says Weeks. While there may be nothing in the least odd about stamp collecting, a passion for certain types of stamps or a 20-year-search for some long-lost first-day cover may indicate a certain eccentricity.

A high degree of intellectual curiosity is common in eccentrics: they suddenly light up in a conversation and become visibly enthusiastic about a particular topic. They will often be academically gifted but job selectors should look for evidence of a chequered educational background. Chopping and changing courses



is common, says Weeks. An eccentric student might suddenly ditch computer studies and switch to an arts subject, for example, only later to switch back to computers.

Eccentrics are not team players. They do not care very much what other people think of them and are not the sort of people who try to keep up with the Joneses.

Some mystical, spiritual, though not necessarily religious, bent may be displayed, and eccentrics tend to be optimistic about the future.

Once the eccentric has been identified, the next step is to decide whether or not they will be a welcome and productive addition to the company. Sometimes a near-obsessive interest may be of great benefit to an organisation. Weeks writes of a man called Alan Fairweather who has devoted his life to the potato. He studies it, knows just about every way to cook it and can expound on virtually every variety known to man. Fair-

weather has found the perfect job fit. He is a potato inspector for the Ministry of Agriculture, Fisheries and Food in Scotland.

But many employers would shy away from eccentrics. Jeff Groat, managing director of Robert Hall and Associates, who reads thousands of CVs, mainly covering the accountancy industry, says: "What a lot of people are looking for in CVs is an ability to fit into a team environment. A lot of our client companies are looking for evidence of outside work activities operating on a social level - team sports, amateur dramatics."

Gill Garrick, a headhunter at GKR Neumann International, says: "The anarchic rebellious streak that some more creative people exhibit is not a bad thing to have in small doses in an organisation, but I'm not sure the word is eccentric - 'off the wall' is probably a good description."

Many prominent business leaders, including Richard Branson, Sir Terence Conran and Anita Roddick, are characterised by an

unconventional or individualistic approach. There would be those who would consider Warren Buffett eccentric because he prefers to wear cheap suits, likes to eat hamburgers, drink cherry Coke and live in Omaha.

Some thought the approach of Jean-Marie Descarpentrie, when chief executive of CarnaudMetalbox, somewhat off-beam, particularly when he led a group of 29 senior executives into the Jordanian desert for a brainstorming and bonding session.

Harold Geneen was known to be unconventional when he headed I.T.T. On visits to the European head office in Brussels, staff had to switch their watches to New York time, the only time that Geneen would acknowledge. European-based executives became accustomed to calls from Geneen late into the night. Mornings tended to be Geneen-free.

Rodney East, the former group managing director of Etam, did not have an office and lugged his files around in a shopping bag. He would also pick up rubbish in

the street - a worthy, but unusual, practice.

The US has had its fair share of business eccentrics. James Gordon Bennett, the newspaper baron, used to enjoy pulling the tablecloths from the tables of fellow diners in restaurants and then pay for the damage he caused. The exclamation "Gordon Bennett!" is said to have originated from his behaviour.

The greatest problem for managements is determining what is simply eccentricity and what are symptoms of burn-out or stress from pressure of work. Craig Newnes, a clinical psychologist who runs a staff consulting service in Shropshire, identifies the following warning signs:

- a decline in quality of work;
- absenteeism or lateness;
- regular personal emergencies;
- psychosomatic illnesses such as headaches and stomach cramps;
- use of alcohol while at work;
- persistent failure to do simple things like paperwork;
- making destructive comments or acting in a withdrawn manner at meetings;
- consistently denigrating colleagues;
- active sabotage.

This list is not necessarily helpful when it comes to identifying manic behaviour, says Newnes. "In such cases an individual might behave in quite the opposite way. He or she might take on more rather than less work. They might be sitting at the desk all day long and staying late," he says. Close colleagues will usually be the first to spot if something is wrong, he adds.

Cary Cooper, head of organisational psychology at University of Manchester's Institute of Management and Technology, agrees.

"People should be aware of colleagues displaying any change of behaviour, such as increased aggression or withdrawal. Any manager who sees something out of the ordinary should refer the employee to the company's employee assistance programme if it has one installed. These programmes, which supply employee counselling services, can be effective at helping someone cope with their problem and persuading them to seek help," says Cooper.

The Institute of Management concurs. "Stress tolerance and the ability to work under pressure are often cited as prerequisites in job advertisements. It is now time for the business community to abandon the macho and heroic image of stress and encourage greater co-operation and support," concludes its study.

*Are Managers under Stress? Institute of Management 0171 497 0580. £25 to IM members. £50 to non-members.

**Eccentrics by David Weeks and Jamie James, Weidenfeld & Nicolson, £17.95.



Planner and dynamo: Peter Warrenner and Danielle Stewart

PARTNERS

Warrenner Stewart

Peter Warrenner, 46, started his own accountancy firm, in 1983. Five years later, Danielle Stewart, 34, joined him to form Warrenner Stewart. They employ seven accountants and have an annual turnover of £600,000. Danielle was voted Young Accountant of the Year in 1994.



Danielle: "Peter is my mentor. He's the wise one, the old bull. Whereas I'm always reacting and getting frightfully excited about today, Peter thinks about tomorrow. He's the forward planner, the concept man, I'm the dynamo and the doer. I'm also the technical whizz of the two. He's more of a new business creator."

He says it's easier for him to say what a wonderful partner he has than for me to sell myself in that role. In many ways he's like my manager. Although I'm the partner I'm the superior. Peter is the best all-round business accountant I've met. He's certainly more expensive per hour than I am. His forte is contract work, acquisitions and mergers. In many ways he's like a corporate lawyer. He's very sceptical in that he has an innate understanding of how people tick. If you combine that with his financial acumen, it makes him a powerful player in the boardroom. He's definitely got a flair for business."

In the early days we'd speak at each other, but time is so precious now we don't waste it arguing. In a personal relationship, a big row can make you question whether you want to go on together, yet there is something more permanent about a business relationship. Splitting up is never an option, so we resolve our differences and compromise. Sometimes I feel very grateful that he gave me a break. At other times, I think

he was a jammy git for spotting me. I don't just have total respect for him, I like him enormously."

Peter: "I had it in my mind to make Danielle a partner long before she knew about it. I'd met her as a 19-year-old student and could see that she was bright. She started with a gift for financial accounting, which has turned into a talent for auditing. She has incredible enthusiasm for finding the right answer and never gives up until she's got there. When she joined the firm she ran into a bit of prejudice, which had more to do with her age than the fact that she was a woman. The moment they realised how clever she was, the prejudice disappeared. You never have to tell Danielle anything twice."

She's certainly not your typical accountant. She represents a modern breed of accountants who, in time, will change the traditional stuffy image. She surprises a lot of people, not just by the way she looks but by her intellect. I've encouraged her involvement with the Institute of Chartered Accountants because her contribution to the profession, and the way it's heading, is valid.

Danielle will definitely be remembered for the way she thinks. So often people form partnerships for purely commercial reasons and it rarely works out. We've been lucky in that we have respect for each other. Without respect, no partnership can stand the test of time.

Even though I'm older, I find, increasingly, that people refer to me as Danielle Stewart's partner. I'm happy about that. She associates herself with quality and doing the right thing, which is the image we want for the firm."

Fiona Lafferty

Crumbs from the tables of power

ABB's is oval-shaped and made of cherry-wood. IRI's is mahogany and covered in calfskin. Nestlé's has got a glass centre.

I have become something of an authority on boardroom tables after being given an interesting little volume called *The Table of Power*. Created by Jacqueline Hassink, a Dutch artist, it is a photographic record of the boardrooms of the 40 largest companies in Europe. Or rather it is a record of 21 of these as the remaining 19 would not let her in, claiming it would be in breach of their security rules.

One might have expected the volume to be of interest only to those with a fetish about top-of-the-range office furniture. However page after page of photographs of rooms with enormous shiny tables and leather swivel

chairs tell a story about corporate power and how directors see themselves.

While each of the rooms has its own style and colour scheme, the similarities are more remarkable than the differences. All the boardrooms are strikingly impersonal, but they all quietly assert their power. Most are at the top of the building, with panoramic views. Almost all have expensive custom-made tables and leather and chrome chairs. The rooms all waste plenty of space. Only Ciba Geigy has an ordinary table that it picked from a normal catalogue, and chairs covered in the same sort of fabric that I am sitting on now.

The rooms suggest that less may have changed in the boardroom in the last few years than we are led to believe. Boards have shrunk, and we are told



Lucy Kellaway

they have become less hierarchical and less inclined to stand on ceremony. However the rooms, which range from the 1960s to the present day, show less marked changes. Admittedly the newer tables are slightly smaller and more likely to be oval or U-shaped (ICI favours this design so that everyone can see the slide shows). The chairs may be less far apart than before and the chairman may not have a specially reserved place. But other-

wise the trappings of power are identical. The aura remains the same. This is where the masters of the universe sit - a message at odds with today's egalitarian, delayed company.

"Dear George, I had a great idea last night. Thought we might join forces and help Danka become the largest independent provider of office-imaging products in the

world! ... George, what do you think? Sincerely, Dan."

"Dear Dan, Let's make it happen! Sincerely, George."

And with those punchy, spontaneous letters, a deal was born between Kodak and Danka. We know about this correspondence between the two companies' CEOs because they went to the expense of reproducing both letters last week in full-page advertisements in the UK press.

They could have saved their money. Cynical British readers know that deals do not happen in this way - instead acquisitions are made by painful (and costly) hour upon hour of nit-picking by lawyers and corporate financiers. Neither do we need our corporate deals to be dolled up to resemble business blockbusters. We just want to know if the deal is a good one, and to be assured that the

companies have done their due diligence.

The same day the newspapers carried their own version of the story: Kodak had been getting increasingly desperate to sell its copier business, and this deal leaves it with a book loss of \$260m and part of the business still on its hands.

I have only surfed the Internet once, and on that occasion I nearly drowned in a sea of information of negligible interest to anyone. Since then I gather the level of garbage has risen still further.

Last week Huggies put out an urgent press release to tell the world that nappies are now on the Internet. On the Huggies site you can get all your questions

about nappies answered within 72 hours! It strikes me that any-one practical enough to be able to get onto the Internet can also work out how to change a nappy; if not, they will not be able to wait 72 hours in order to find out. The site also offers entertainment if you click on the baby's nose: you can read a nursery rhyme. So keen are Huggies to take advantage of this brand new medium with its low marginal costs they are surely missing something: it is the nappy users who generally like nursery rhymes, and most of them are a touch too young to surf. And as for the poor, harassed mothers, if they are clicking anything it is their tongues as they drag round the supermarket wishing that there were not quite so many different kinds of nappies to choose from.

HULL - a city that means business....



YOUNG WORKING TOWN SEEKS LIVELY INTELLIGENT COMPANY. For full details including photos phone: 01952 293262 Telford.

FINANCIAL TIMES COMPANIES & MARKETS

IVECO Ford TRUCK BRITAIN'S INTERNATIONAL TRUCK MANUFACTURER

Monday September 16 1996

Bae will not lift Airbus stake

By Michael Skapinker, Aerospace Correspondent. British Aerospace will not press for an increase in its 20 per cent stake in Airbus Industrie even though its assets could prove to be worth relatively more than those of its European partners.

Groupement d'Intérêt Économique (GIE), a non-profit making entity under French law. As a GIE, profits or losses accrue to Airbus's partners rather than to the consortium itself. Industry observers say that Bae has accepted that any increase in its Airbus stake would be politically unacceptable in Germany and, particularly, in France.

Aérospatiale executives argue that Airbus should take over the manufacturing facilities. Instead, it should design aircraft and award contracts to the lowest-cost manufacturers, whether they are Airbus shareholders or not.

bus executives believe that those companies with more valuable facilities would have to be compensated by an increase in their shareholding.

Software rivals face anniversary of first salvo

By Louise Kehoe and Tom Foremski in San Francisco and Paul Taylor in London

Two of the biggest names in software are today poised to clash again over the future of personal computing.



Ellison: 'opposite direction'

Organisers of an industry forum in Paris are billing the confrontation between Microsoft's Mr Bill Gates and Oracle's Mr Larry Ellison as the "battle of the billionaires".

It is one year since Mr Ellison, chairman and chief executive of Oracle, declared that "the personal computer is a ridiculous device", as he began his campaign to promote simpler, lower-cost "Network Computers" (NCs).

Mr Ellison's vision is of "ubiquitous" NCs in homes, schools, airports and hotels. "NCs will be everywhere," he has predicted. "NC sales will reach 100m units by the year 2000."

Hoechst may sell chemicals stake

By Daniel Green in London

Hoechst, Europe's biggest chemicals company, may sell a minority stake in its chemicals business as part of a broader reorganisation of the group, a senior board member said last week.

Earlier this year Hoechst said it intended to make a separate entity of Hoechst Marion Roussel (HMR), its pharmaceuticals business.

Mr Ute-Helmut Felcht, main board member, said Hoechst had "to respond to the demands of the capital markets".

Hoechst intended to remain in majority control of all these businesses but independence might mean a separate listing for any of three companies - Hoechst has already said that it could seek a listing for HMR next year.

Japanese group may be about to shake up its film unit

The plot of Sony's Adventures in Hollywood, a seven-year-long tragicomic extravaganza, took another twist at the weekend.

Sony wishes upon a star to fulfil dream



If the face doesn't fit (clockwise from top) Jim Carrey's 'The Cable Guy' attracted dire reviews; Demi Moore's 'StripTease' went largely unnoticed; while Sony is scouting for a replacement to Mark Canton, the man responsible for choosing the films that Sony releases

Cost-escalation has been the hallmark of Sony's Hollywood tenure since day one with the \$5bn package that bought Columbia Pictures from Coca-Cola and the services of an eccentric management duo, Mr Peter Guber and Mr Jon Peters.

Released this summer to dire reviews, the film has so far made a modest profit, but its failure to top \$100m in gross US revenues marked Sony out as the only big studio not to have at least one blockbuster to ease the pain of a tough season for all Hollywood. Striptease, Sony's veiled vehicle for Demi Moore (paid \$12.5m) roused minimal audiences. The Firm, with a \$50m-plus budget and starring "sure-fire" attractions Robert De Niro and Wesley Snipes, is labouring in the ratings.

known for The Godfather sequence, and actress Michelle Pfeiffer, have severed their links. Senior executives, including the marketing chief of Sony Pictures Entertainment, which covers movies and television, and the head of the TriStar studio have abandoned or been pushed out.

Mr Felcht said the group still has to take a decision about which organisational model it will adopt, but intends to place its chemicals business on the same footing as its drugs and agriculture operations. It did not want to become "a chemicals company with some other interests", he said.

ranked by share of box office takings, Sony is sixth out of seven leading studios this year. Only the lame duck, MGM, which has released just 18 films compared with Columbia TriStar's 26, has fared worse.

SPF's spending habits and salary structure, extravagant even by Hollywood standards, are out of line with the norm at Sony Corp's New York headquarters and in its consumer electronics and music divisions which make the money to pay the movie bills.

regarded as the most powerful man in Hollywood. Mr Ron Meyer, his colleague, took a similar job at MCA.

But massaging talent is only one of the skills Sony needs: bridge-building is also in demand.

Mr Canton's replacement should be one step, but more depends on finding a bridge-builder to fill the vacancy left by the departed Mr Schulhof in the Sony Corp president's office.

Christopher Parkes

STATISTICS table with 2 columns: item and value.

COMPANIES IN THIS ISSUE

Table listing companies and their page numbers.

Brady bonds poised to make further advances

By Richard Lapper and Saverio Iskander in London. Brady bonds are poised to make further gains after prices rose to an all-time high last week. A rise in US Treasury bond prices helped Bradys - issued in exchange for distressed commercial debt since 1990 - on Friday, but the strong performance of the \$140bn-plus market also reflects an improvement in the creditworthiness of many Latin American and eastern European economies.

higher in some countries." West Merchant's price index for the market surged on Friday past its record to 168.18 by the London close, and has risen by 4.8 per cent since the end of August.

on the secondary market rising by nearly 10 per cent so far this month. News on Friday that the government was close to an agreement with its commercial bank creditors grouped in the so-called London Club, buoyed investor confidence.

Analysts argue that the strength of Bradys reflects a shift in investor attitudes, with increasing numbers of US institutions prepared to commit long-term money to the market. Ms Ingrid Iversen, debt strategist at UBS, said: "Non-dedicated money is coming into the market and as the market becomes less and less junk-like mutual funds and insurance companies are big buyers."

MINORCO Compañía Minera Doña Inés de Collahuasi SCM advertisement with logos and text.

COMPANIES AND FINANCE

Accountancy firms in photo-finish

By Jim Kelly, Accountancy Correspondent
Coopers & Lybrand, the accountancy firm, announced gross fee income for 1995-96 of £701m, up 6 per cent on the previous year, setting the stage for a photo-finish at the top of the UK fee income table with Andersen.

Andersen and Andersen Consulting - is heading for double-digit growth.
The 1995-96 year will be chaotic for financial reporting among the Big Six because of fundamental changes: co-ordinated publication of results has been abandoned, and Andersen's results are due to be announced in mid-October.

In 1995-96 grew 8 per cent to £619m. If Andersen achieves just 10 per cent, it will rise to £683m.
KPMG, the only other Big Six firm to report so far this year, recorded gross revenues of £569m for 1995, an increase of 6.8 per cent. It, and some other Big Six firms, are also understood to be running at double-digit growth this calendar year.

Ernst & Young has promised to follow suit - even if it seeks off-shore registration as a limited liability partnership on Jersey.
Mr Peter Smith, Coopers chairman, said: "We are actively reviewing the position to determine whether incorporation or the establishment of a limited liability partnership would provide us with a more appropriate operating structure."

The publication of pic-style results. Ernst & Young has promised to follow suit - even if it seeks off-shore registration as a limited liability partnership on Jersey.
Mr Peter Smith, Coopers chairman, said: "We are actively reviewing the position to determine whether incorporation or the establishment of a limited liability partnership would provide us with a more appropriate operating structure."

Calming investor nerves after MG

Wolfgang Münchau on anxieties in Germany

The financial scandal at Morgan Grenfell Asset Management (MGAM) has hit some raw nerves in the German investment industry, which last week embarked on a counter-offensive to reassure investors about the safety of their funds.

Financial advisers across the country reported back to their headquarters that private clients were extremely concerned about the breakdown of control procedures at MGAM, and wondered whether the same could happen in Germany.

on low incomes, who are saving to build up a small portfolio with the help of a federal scheme of tax credits.
For many Germans, equity saving is a relatively new development, given the public's traditional preference for federal government or other public-sector bonds.

US interest in Lonrho Princess hotel chain

By Ross Tienan
Lonrho is understood to have received about 15 serious approaches for all or part of its Princess-Metropole hotel business, after suspending plans for a flotation.

Advisers to Lonrho's board are increasingly confident that a trade sale, possibly involving separate sales of Princess and Metropole, will raise more than the planned flotation.

can trading group would return to positive cash flow.
Mr Brock must decide by September 30 whether to restart the flotation process. For that reason, the company will seek to close a deal with prospective trade buyers within a fortnight.

around 165p.
The convertible bond, which is expected to be in the order of £2bn, and could involve two or more tranches of securities being issued, could lead to the banks eventually owning about 75 per cent of the shares.

Eurotunnel talks face obstacles

By Geoff Dyer
Eurotunnel's refinancing talks with its banks face several key obstacles in spite of its claim last week to be "eight hours of negotiations" away from a solution.

The deal is expected to involve an immediate debt for equity swap, and the refinancing of part of the group's £2.8bn debt through a convertible bond issue.
However, negotiators say no single issue is holding up the talks since each part of the package is inter-changeable.

Restructuring at CGS

By Paul Taylor
Cap Gemini Sogeti, the European computer software and services group, will today announce a significant reorganisation.

Initially, four industry units will be established: telecommunications, insurance, pharmaceuticals and travel and tourism, which account for about 20 per cent of CGS's \$4.2bn (£2.7bn) annual revenue.

industry segments.
Initially, four industry units will be established: telecommunications, insurance, pharmaceuticals and travel and tourism, which account for about 20 per cent of CGS's \$4.2bn (£2.7bn) annual revenue.

ing business, which employs about 2,000 and will continue to trade under its own name.
CGS is attempting to re-position itself and compete more directly with EDS and IBM, the industry leaders, whose computer services operations are about three times the size.

At the end of September, the mandate of the two court-appointed mediators, which has already been extended twice, runs out.



In multi-million dollar salary packages.
Recent financial scandals, including the case of Mr Nick Leeson, have confronted the German public with a hitherto unknown phenomenon: the rogue trader or banker, driven by greed and willingness to take uncontrolled risks.

Alliance Capital (Luxembourg) S.A.
société anonyme
35, Boulevard Prince Henri, 1724 Luxembourg
R.C. Luxembourg B 34 485
To the Shareholders of
ALLIANCE WORLDWIDE INCOME FUND
(Fonds commun de placement)
Decision of amalgamation
Alliance Capital (Luxembourg) S.A. in its capacity as Management Company of Alliance Worldwide Income Fund and of Alliance Global Investments, with the consent of Brown Brothers Harriman (Luxembourg) S.A. as Custodian of both funds, has resolved to incorporate Alliance Worldwide Income Fund as an additional Portfolio within Alliance Global Investments, a mutual fund (fonds commun de placement) established as an "umbrella fund" under the laws of Luxembourg and managed by Alliance Capital (Luxembourg) S.A. in accordance with the Management Regulations which are available upon request to existing shareholders.

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Protect your investments with limit alerts even when your PC is turned off.
Signal is a registered trademark of Data Development Corporation.

Ford
Following the DIVIDEND DECLARATION by Ford Motor Company (U.S.) on 11 July, 1996 NOTICE is now given that the following DISTRIBUTION will become payable on or after 16 September, 1996.
Gross Distribution per unit: 1.925000 Cents
Less 15% USA Withholding Tax: 0.288750 Cents
Converted at \$1.575: 1.636250 Cents
\$0.01038889
Claims should be lodged with the DEPOSITARY, National Westminster Bank PLC, Basement, Juno Court, 24 Prescott Street, London E1 8SB on special forms obtainable from that office.

Legrand
The Board of Directors, chaired by Mr. François Croppotte, reviewed consolidated results for the first half of 1996.
Consolidated figures (millions of FF)
Sales: 5,274 (1994), 5,518 (1995), 5,785 (1996) +4.8%
Net Income: 392 (1994), 468 (1995), 453 (1996) -3.2%
Net cash flow: 805 (1994), 913 (1995), 925 (1996) +1.3%
At constant structure and exchange rates, net sales rose 1.7% in the first half of 1996, with business outside France up 4.4% and French domestic sales down 1.8%.
Legrand strengthened its positions in Latin America with the acquisition of Luminox, Colombia's leading producer of electrical fittings. Luminox reports sales of nearly US\$ 40 million in Colombia, Brazil and Mexico.

NOTICE TO NOTEHOLDERS
ACINDAR Industria Argentina de Aceros S.A.
(Incorporated in Argentina with limited liability)
US\$ 150,000,000
Floating Rate Notes due 1998
(the "1998 Notes")
Issued under its
US\$ 200,000,000
Euro Medium Term Note Programme
(the "Programme")
ACINDAR Industria Argentina de Aceros S.A. (the "Issuer") does hereby give notice that holders of 1998 Notes (the "Noteholders") have the right, on or at least 30 days before the date of the anniversary of the date of issue of the 1998 Notes, to require the Issuer to redeem 1998 Notes held by them on the interest payment date falling in November 1996 at 91.434 per cent of the principal amount of the 1998 Notes redeemed.

U.S. \$400,000,000
Santander Financial Issuances Limited
(Incorporated in the Cayman Islands with limited liability)
Subordinated Undated Variable Rate Notes
with payment of interest subject to the profits of and secured by a subordinated deposit with
Banco Santander, S.A.
(Incorporated in Spain with limited liability)
Notice is hereby given, that for the Interest Period from September 16, 1996 to December 16, 1996 the Notes will carry an interest rate of 6.5875% per annum. The amount of interest payable on December 16, 1996 will be U.S. \$4,162.93 per U.S. \$250,000 principal amount of Notes.

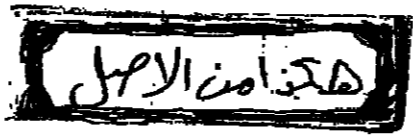
U.S. \$150,000,000
Bank of Ireland
(Established in Ireland by Charter in 1783, and having limited liability)
Undated Floating Rate Primary Capital Notes
In accordance with the provisions of the Notes, notice is hereby given that for the three month Interest Period from September 16, 1996 to December 16, 1996 the Notes will carry an interest rate of 5.875% per annum. The interest payable on the relevant interest payment date, December 16, 1996 will be U.S. \$148.51 per U.S. \$10,000 principal amount.

European Investment Bank
ITL 1,000,000,000,000
Floating rate notes due March 1998
The notes will bear interest at 8.1375% per annum from 16 September 1996 to 16 December 1996. Interest payable on 16 December 1996 will amount to ITL 102,849 per ITL 5,000,000 note and ITL 1,028,490 per ITL 50,000,000 note.
Agent: Morgan Guaranty Trust Company
JPMorgan
The Financial Times plans to publish a Survey on
A to Z of Business Schools
on Thursday, October 3 1996.
For further information please contact Karl Loynton on Tel: +44 (71) 873 4874 Fax: +44 (71) 873 3064 FT Surveys

Fiduciary Issue by Kredietbank S.A. Luxembourgaise to fund a loan to be made by it to
ISVEIMER
Istituto per lo Sviluppo Economico dell'Italia Meridionale
Italian Lire 150,000,000,000
Floating Rate Notes due 1997
In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the Interest Period from September 16, 1996 to December 16, 1996 the Notes will carry an interest rate of 8.9375% per annum.
The Interest Amount payable on the relevant Interest Payment Date, December 16, 1996 will be ITL 112,860 per ITL 5,000,000 principal amount of Note and ITL 2,259,201 per ITL 100,000,000 principal amount of Notes.

Christiania Bank og Kreditkasse
(Incorporated in the Kingdom of Norway with limited liability)
U.S. \$250,000,000
Floating Rate Subordinated Notes Due 2001
Notice is hereby given that the Rate of Interest has been fixed at 5.8125% and that the interest payable on the relevant Interest Payment Date March 17, 1997, against Coupon No. 21 in respect of US\$10,000 nominal of the Notes will be US\$263.45 and in respect of US\$250,000 nominal of the Notes will be US\$7,346.25.

HongkongBank
The Hongkong and Shanghai Banking Corporation Limited
(Incorporated in Hong Kong with limited liability)
U.S. \$400,000,000
PRIMARY CAPITAL UNDATED FLOATING RATE NOTES
(SECOND SERIES)
Notice is hereby given that the Rate of Interest has been fixed at 5.875% and that the interest payable on the relevant Interest Payment Date, December 16, 1996, in respect of US\$5,000 nominal of the Notes will be US\$74.25 and in respect of US\$100,000 nominal of the Notes will be US\$1,485.07.

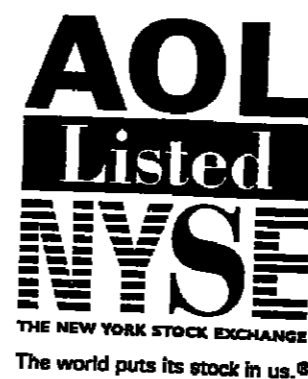


After thoroughly exploring
the NYSE's technology,
the wizards at America Online
had just one thing to say.

Cool.

The people at America Online found the New York Stock Exchange's technology very impressive. The people at the New York Stock Exchange found America Online to be incredibly savvy business people with some very innovative global plans. So they got together. And thus, today, a partnership between the online community and the global investment community is born. Creating a new world of opportunities for everyone to "log on" to.

For information on many of the companies listed on the New York Stock Exchange, visit our new AOL online area at Keyword: NYSE, or visit the NYSE's Website at <http://www.nyse.com>.



COMPANIES AND FINANCE

Vitro forced to sell loss-hit US glass unit

By Leslie Crawford in Mexico City

One of Mexico's boldest foreign corporate ventures has ended in failure, with Vitro, the world's third-largest glass manufacturer, announcing it had reached a non-binding letter of intent to sell its loss-making US subsidiary, Anchor Glass.

The move prompted Anchor Glass to file for protection against creditors under Chapter 11 of the US bankruptcy code, a move designed to ensure its continued operation pending completion of the sale.

Anchor Glass accounted for about one-third of Vitro's annual sales of \$3bn, but operating losses over the past two years had forced Vitro to inject \$140m to keep its US subsidiary afloat.

NEWS DIGEST

Hyundai cuts sales forecast for year

Hyundai, South Korea's second-biggest conglomerate, has cut its sales forecast for 1996 from Won72,000bn to Won68,000bn (\$48bn) in response to growing economic problems in Korea.

Oracle doubles in first quarter

Oracle, the US computer software company, reported net profits more than doubled year-on-year for the first quarter to the end of August, from \$54m last time to \$113m.

MAN Roland to cut 700 jobs

MAN Roland, the loss-making printing unit of Germany's MAN, said it planned to shed about 14 per cent of its workforce in response to fierce competition and weak demand in the sheet-fed printing sector.

S Africa plans D-Mark bond

South Africa will this week launch the first D-Mark denominated bond since President Nelson Mandela took office. Deutsche Morgan Grenfell and Morgan Stanley will be the lead managers of the seven-year issue, which will have a volume of between DM400m and DM500m (\$265m-\$330m).

Amoco starts E Europe push

Amoco, the US petroleum company, launched its drive into central and eastern Europe at the weekend with the opening of its first petrol station in Bulgaria, in the Black Sea port of Bourgas.

Buffett starts work on Salomon escape tunnel

By Tracy Corrigan in New York

The relationship between investment bank Salomon and its board member and largest shareholder Mr Warren Buffett is set to change.

In fact, the decision to convert his 1996 tranche of 140,000 Salomon preferred shares into common stock is hardly surprising. Before the announcement, the stock closed at 94% on Thursday, a 20 per cent premium to the \$38 conversion price.



Warren Buffett has lined up exchangeable note issue

able at a premium to the current share price, would potentially reduce Mr Buffett's stake to about 11 per cent. Mr Buffett also said he was looking at other ways of disposing of stock.

the move could re-ignite speculation about Salomon's future. After a poor 1994, Salomon's last four sets of quarterly results have been strong.

Travelers buys landmark California hotel

By Christopher Parkes in Los Angeles

San Diego's Hotel del Coronado, backdrop to the film Some Like it Hot, and the resort where, legend says, Wallis Simpson met her future match in the Prince of Wales, has been sold to Travelers Group, the financial services conglomerate.

The sale, on undisclosed terms, followed the death in January of Larry Lawrence, who bought the hotel in 1983 and spent heavily on restoration before "The Del" - as aficionados know it - was listed as a historic monument in 1977.

for 108 years, and its distinctive wood-clad architecture in 30 acres of grounds has inspired creators including Walt Disney and the designers of popular "resort" hotels all over the world.

New York-based Travelers, which controls \$54bn of investments, is best known for its interests in financial services, including ownership of the Smith Barney brokerage, although its portfolio includes some \$2bn-worth of real estate, including a handful of hotels.

Mr Lawrence, who died in office as US ambassador to Switzerland, drew much of his mortgage financing from Primerica, as Travelers was formerly known. He made his fortune building homes in Arizona, and made his name as a generous supporter of the Democratic party.

Although the successors of Hollywood stars such as Marilyn Monroe and Errol Flynn who helped make the hotel internationally famous now prefer more secluded spots to relax, it trades heavily on its history and is still a favourite among senior Washington politicians.

In a less glamorous - but more substantial - exchange announced at the weekend, Doubletree Corp of Phoenix agreed to pay about \$1.2bn in cash and shares for 55 hotels owned by Red Lion.

The Red Lion chain, concentrated in the western states, is owned by a public-private partnership including state pension funds, one of its founders, and Kohlberg Kravis Roberts, the buy-out specialist. The partners will control more than 10 per cent of Doubletree, which will own 234 hotels on completion of the deal.

Novell revamps network products

By Louise Kehoe in San Francisco

Novell, the computer networking software developer, has launched new versions of its networking and "groupware" products geared to Internet standards, in an attempt to reinvigorate sales.

Industry analysts say the company, which once dominated the networking software market, has recently been damaged by competition from Microsoft and has failed to keep pace with the trend towards the use of Internet standards on corporate networks, or intranets.

Australis doubles loss for full year

By Nikid Taft in Sydney

Australis Media, the financially-troubled pay-TV business, reported a loss of A\$251.7m (US\$200m) in the year to June, compared with a deficit of \$122.1m in the previous 12 months. The figure includes abnormal charges of A\$30.7m.

But the Sydney-based company, which was the first to offer pay-TV services in Australia, said it had written indications from the majority of its existing US noteholders which would allow a new US\$150m US debt offering to proceed.

First half 1996 Strong growth in sales and income. Table with columns for Net sales, EBITDA, Net income (loss) for First half 1996, First half 1995, and Full year 1995.

RICHEMONT COMPAGNIE FINANCIERE RICHEMONT AG, ZUG, SWITZERLAND RICHEMONT SA, LUXEMBOURG. The annual general meetings of Compagnie Financière Richemont AG...

FIDELITY WORLD FUND Société d'Investissement à Capital Variable (Sicav) Kassaillis House, Place de l'Étoile, B.P. 2174, L-1021 Luxembourg. NOTICE OF ANNUAL GENERAL MEETING.

NACIONAL FINANCIERA, S.N.C. Trust Division as trustee of the Nafin Finance Trust. Floating Rate Notes Due December 1998 (the "Notes").

Novell revamps network products. workers to collaborate via a computer network. The success of these products may be critical for Novell.

Australis doubles loss for full year. Australis Media, the financially-troubled pay-TV business, reported a loss of A\$251.7m (US\$200m) in the year to June.

FIDELITY FUNDS SICAV Société d'Investissement à Capital Variable Kassaillis House - Place de l'Étoile L-1021 Luxembourg. Fidelity Funds Sicav has declared an interim dividend in respect of shares of Fidelity Funds - Sterling Bond Fund in issue at the close of business on July 31, 1996.

Market

ING BANK ING BARINGS

FINANCIAL TIMES MARKETS THIS WEEK

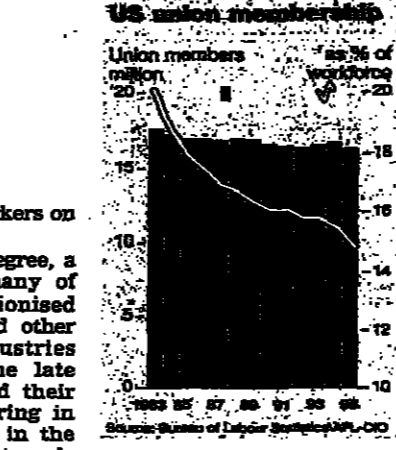
ING BANK At Home in Emerging and Capital Markets ING BARINGS

Global investor / Richard Waters

Lessons for US trade unions

America needs a raise. So says Mr John Sweeney, the top trade unionist in the US...

Only last week, 6,600 members of the Machinists Union called off a strike at McDonnell Douglas in St Louis...



US union membership: Union members as % of workforce

Total return in local currency to 12/9/96

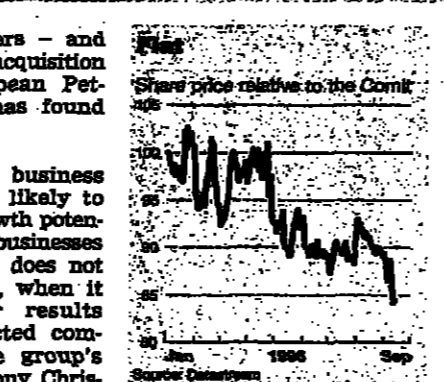
Table with columns for US, Japan, Germany, France, Italy, UK and rows for Cash, Bonds 3-6 year, Bonds 7-10 year, Equities.

Source: Data & Analysis - Labour Business. The FT/SE Americas World Index are jointly owned by FT-SE International Limited, Goldman Sachs & Co. and Standard & Poor's.

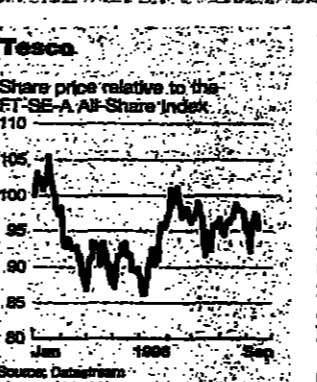
Michelin set to continue its recent advances

The world's largest tyre maker is expected to report a further increase in earnings as it continues to recover from the losses of the early 1990s.

analysts forecast profits of between £1,100bn and £1,565bn, compared with £1,163bn last year.



Share price relative to the FTSE 100



Share price relative to the FTSE 100

Report: The UK's fourth largest chemicals company is today expected to report lower interim pre-tax profits of about £68m (\$90m), compared with £87m.

Sears: Mr Liam Strong, chief executive of the UK retail group, will be on trial for his job when he reports first-half figures tomorrow.

will be more interested to know whether Selfridges is benefiting from an upturn in department store spending.

British Assurance: The UK life and pensions group is expected to report a 9 per cent rise in its interim dividend to 5p on Wednesday.

announce a profit figure at the interim stage.

EMC: Analysts are expecting a decline in pre-tax profits to a decline to £100m (\$156m) from £130.1m when the UK building materials group announces interim figures on Thursday.

Enthusiasm for luxury brands

Strong response to the international primary offer for Leica Camera, the German camera and optical group, has highlighted investor enthusiasm for companies with well-known luxury brands.

in it for the flip," he said. The success augurs well for Tag Heuer, the Swiss watch manufacturer, whose bankers began their marketing campaign for its forthcoming international share offer last week.

£60m (\$60m). BG Bank, the third largest Danish bank with a market capitalisation of \$1bn, is seeking a capital increase of \$100m in a deal likely to come to the market in the next few weeks.

CREDITANSTALT advertisement featuring an astronaut illustration and text about international finance.

FT/SP ACTUARIES WORLD INDICES

Table with columns for National and Regional Markets, Friday September 13 1996, and Thursday September 12 1996. Includes sub-tables for DOLLAR INDEX and EURO INDEX.

Fast Fills, Low Rates advertisement with phone number 0800-222-474.

CITY INDEX advertisement for FT Guide to World Currencies.

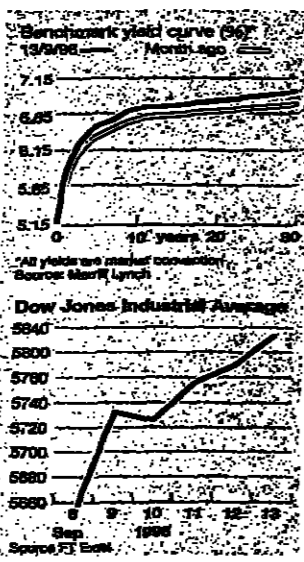
Advertisement for Ferrovie dello Stato and European Investment Bank.

JOHN D WOOD & CO. PLC advertisement including introduction to the Official List and share capital information.

MARKETS: This Week

NEW YORK By Michael Waters

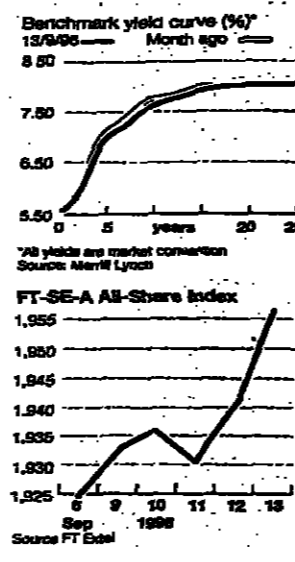
After last Friday's surge in US stock and bond prices, there is little in the way of economic news on the horizon to threaten the markets' new, lofty levels.



cent during the month, after a 0.1 per cent increase in July. Capacity utilisation is expected to have held steady at around 83.3 per cent.

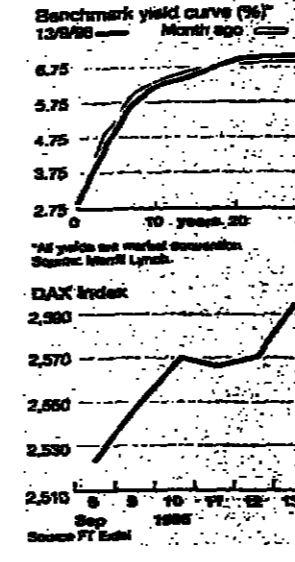
LONDON By Philip Coggan

London financial markets should start the week in confident mood, having seen the FT-SE 100 chalk up all-time intra-day and closing highs last Friday.



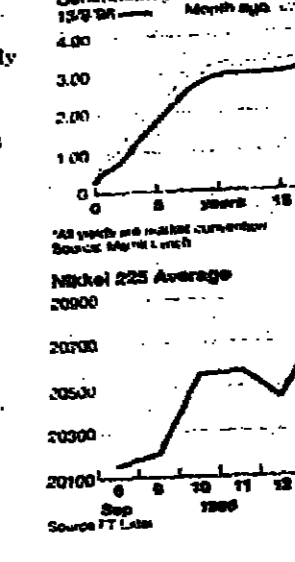
FRANKFURT By Wolfgang Münchau

German markets ended the week with a euphoria not seen since the beginning of the year, on the back of a series of events in the US and at home.



TOKYO By Emiko Terazono

Last week's stock market rallies on receding expectations of a US monetary tightening is likely to help Tokyo this week.



Gold dealers look for clues

The gold market has been desperately short of talking points recently as it has continued to fluctuate in its narrow trading range.

OTHER MARKETS Compiled by Jeffrey Brown

MILAN Analysts and investors in Olivetti will have to wait a little longer for reassurance from Mr Francesco Caio, chief executive, his meeting with them, planned for today, and at which he was to explain the information technology group's half-year results.

CROSS BORDER M&A DEALS

Table with columns: BIDDER/INVESTOR, TARGET, SECTOR, VALUE, COMMENT. Includes deals like Canal Plus (France)/Nethold (Netherlands) and P&O (UK)/Nedlloyd (Netherlands).

CURRENCIES By Richard Moore

French franc takes limelight ahead of Fed move

As the international currency markets await the Federal Reserve's decision on raising US interest rates, the French franc will this week steal some of the limelight from the dollar.

The East Driefontein division of the company has been affected by continued violent conflicts among groups of employees since 18 July 1996. Thirty-four employees have lost their lives in these tragic and deeply regrettable circumstances.

The Leifordom division of the company has been affected by sporadic violent conflicts among groups of employees in the latter half of August. Five employees have lost their lives in these tragic and deeply regrettable circumstances.

FT GUIDE TO WORLD CURRENCIES

Large table showing exchange rates for various currencies against the US Dollar, including columns for C-STD, US \$, D-MARK, YEN, etc.

STOCKHOLM

Among the Nordic bourses, attention in Stockholm is likely to focus on cash-heavy companies such as Volvo, Sandvik and SSAB in the hope they will follow Nordbanken's recent lead and splash out on a share buy-back.

HONG KONG

A return of more bullish sentiment is expected to continue sweeping the Hong Kong market this week, with buyers pushing the property and banking sectors higher.

PARIS

Having broken the 2,000 level to push the main CAC-40 index back within range of April's peaks, the Paris bourse is likely to remain heavily influenced by corporate news.

MASARPONE CHEESE

Coincidentally, the International Investor Relations Federation holds its seventh annual conference in Milan today, while Thursday brings half-year results from Fiat, with analysts looking for pre-tax profits to drop by about 25 per cent.

معلومات الاصل



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September 1996

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- Created an international network with three key components:

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We have maintained a leadership position in mergers and acquisitions, advising clients on over 300 transactions with a total value in excess of \$250 billion, including more than 170 international transactions throughout the world with a total value in excess of \$100 billion. Key factors that distinguish our advisory practice are:

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- Wasserstein Perella Emerging Markets is a specialist in money management and advisory services for developing markets with a superior risk-adjusted return record.

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MARKETS: This Week

EMERGING MARKETS

Taiwan arrives on foreign stage

Taiwan's stock market is about to be transformed from an isolated and closed market to one which is outward-looking, international and more closely connected with the rest of the investment world.

The market was opened to limited amounts of foreign investment in 1991, but until now Taiwan share prices have been driven almost purely by domestic factors, with foreigners as marginal players.

"You cannot think of Taiwan as a pure domestic market anymore. It is now becoming one of the Asian markets, whereas it was basically ignored before," said a Hong Kong-based fund manager.

Stock analysts predict the Morgan Stanley initiative will lift average foreign holdings from the current 4 per cent of total market capitalisation to about 10 per cent over the next year.



Taiwan's stock market performance from 1990 to 1996.

Higher levels of foreign institutional investment should prove a positive and stabilising force for the market, as foreign investors tend to adopt a longer-term investment strategy than local investors.

been in the doldrums for years; and by speeding up spending on infrastructure development, which is well behind schedule.

Although opinions differ on the extent to which the momentum can be held, most analysts and investors agree that the base of investors prepared to invest in Brady bonds, and more generally emerging market debt instruments, is widening.

Alongside the hedge funds which dominated the market in its early days are a growing number of US institutions, including mutual funds and insurance companies.

Ms Ingrid Iversen, debt strategist at UBS in New York, said US insurance companies were now prepared to invest more money in emerging market debt instruments.

INTERNATIONAL

Broadening investor base buoys Bradys

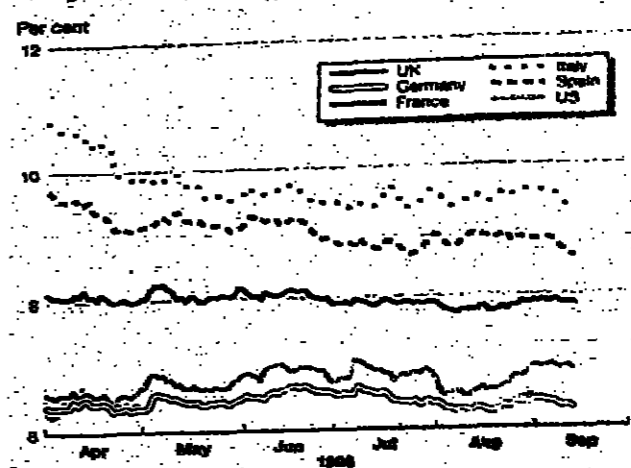
The rise in the prices of Brady bonds to a new all-time high last week has served to highlight the growing maturity of this sector of the emerging markets.

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10-year benchmark bond yields



INTEREST RATES AT A GLANCE

Table showing interest rates for USA, Japan, Germany, France, Italy, and UK across various maturities (Discount, Overnight, Three month, One year, Five year, Ten year).

over US Treasuries still have some room to fall to reach the low levels achieved in January 1994.

But the rise in prices is making some observers cautious, or at least more discerning about some markets.

And the flow of funds into Brady shows no sign of relenting. "There is still scope for further strong performance, based on continued cash inflows into those markets," said Mr. Amy Falls.

ment and some of its local banks could become a problem," according to one US investment banker.

But the overall picture remains bullish, as analysts point out that Bradys remain cheap in relative terms.

And the flow of funds into Brady shows no sign of relenting. "There is still scope for further strong performance, based on continued cash inflows into those markets," said Mr. Amy Falls.

ING BARING SECURITIES EMERGING MARKETS INDICES

Table showing weekly, monthly, and year-to-date movements for various emerging market indices including Latin America, Europe, Asia, and Africa.

NEW INTERNATIONAL BOND ISSUES

Table listing new international bond issues with columns for issuer, amount, maturity, coupon, price, yield, launch date, and book runner.

The Grootvlei Proprietary Mines Limited

(Incorporated in the Republic of South Africa) (Registration No. 01/02088/06) (The Company)

CONVERSION OF STOCK INTO PAID-UP SHARES

At a general meeting of members of the Company held on Monday, 9 September 1996, the special resolutions required for the conversion of the 11 438 816 units of stock of 25 cents each in the Company into 11 438 816 ordinary shares of 25 cents each par value ("the shares") in terms of section 100 of the South African Companies Act, 1973, were passed ("the conversion").

The listings of the units of stock on the Johannesburg Stock Exchange ("JSE") and the London Stock Exchange Limited ("LSE") will be amended to listings of shares with effect from the opening of business on Monday, 16 September 1996.

Members who have not already done so should surrender their stock certificates or other documents of title in respect of their stock in the Company as soon as possible to the Company's transfer secretaries, Optimum Registrars (Proprietary) Limited, 4th Floor, Edura House, 40 Commissioner Street, Johannesburg, 2001 (PO Box 6231, Marshalltown, 2107) in South Africa or up to 30 September 1996 The New Issues Department, Barclays Registrars, Bourne House, 34 Beckenham Road, Beckenham, Kent, BR3 4TH and from 1 October 1996 The Royal Bank of Scotland plc in the United Kingdom in order that they may receive replacement share certificates.

A form of surrender of stock certificates or other documents of title was enclosed with the circular to members of the Company issued on Friday, 16 August 1996. An additional form of surrender will be posted to members of the Company on or about Tuesday, 17 September 1996.

Johannesburg Friday, 13 September 1996.

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Advertisement for SIGMA SECURITIES S.A. - MEMBER OF THE ATHENS STOCK EXCHANGE.

Advertisement for DAIWA INDUSTRIES LTD. (the "Company") Bearer Warrants to subscribe for shares of common stock of the Company.

Advertisement for U.S. \$200,000,000 Midland International Financial Services B.V. Guaranteed Floating Rate Notes due 1999.

POWER IN ASIA

Urge to reform gathers strength

The need for finance is driving liberalisation, writes Simon Holberton

After a year of consolidation, there are signs that Asia's urge to reform the power sector has gathered fresh impetus. As a result, the way ahead is arguably clearer now for most participants in the industry than before.

Not all countries are using the same road map to reform. Some are still wary of private participation in their power industries, or of privatising state assets, but are still pushing ahead with structural reforms. The majority, however, have accepted that if they want to industrialise they have no alternative but to allow foreign ownership.

Importantly, the clouds hanging over policy towards the power industries in India and China are beginning to lift.

The desire among Asian nations for rapid electrification is as impressive as the capital requirements to finance that ambition are daunting. Final electricity demand in seven of the most important east Asian economies - China, Taiwan, Malaysia, South Korea, Indonesia, Philippines and Thailand - is expected to grow by 8 per cent between now and 2010. This follows annual growth of 8 per cent a year in the period 1980-1992. And this compares with final demand growth in the developed world of between 2 and 3 per cent.

Recent work by World Bank economists suggest that the seven countries will need to spend between \$1,000bn and \$1,850bn over 1994-2010 to meet the development goals their governments have set their electric-

ity supply industries. Add in the Indian subcontinent and it is easy to arrive at figures in excess of \$1,500bn.

This demand for capital raises crucial issues of how such development will be financed. Alongside this task, funds from multilateral agencies such as the World Bank group, though vital, amount to little more than a drop in the ocean. Asia's impressive savings rates will also have to be marshalled, and that means embracing widespread reform of domestic capital markets. That will take time; in the interim, western capital in the form of direct or portfolio investment will have to be tapped.

It is the need for external private finance that is in part driving liberalisation in Asia. In some countries it is blowing away understandable concerns about giving up control over industries as vital as electricity supply to foreign interests. But foreign investors are demanding, and getting, more safeguards for their investments. Countries such as the Philippines and Pakistan have gone out of their way to design investor-friendly agencies for channelling investments into their power sectors.

Indeed, the Philippines and Pakistan stand out as the leading countries in their respective parts of Asia.

The Philippines has moved dramatically in the past eight years to restructure and privatise its electricity supply industry. In 1988, Hopewell Holdings, the flagship of Hong Kong entrepreneur Gordon Wu, signed the Philippines' first build-operate-transfer (BOT) scheme for the power industry - a 200MW gas turbine peaking load plant known as Novatas 1. Mr Wu's experiences in the Philippines since have not been without incident; however, no one seriously questions the wisdom of the

authorities' overall policy towards the industry. Since 1988, when installed capacity in the Philippines was 6,000MW, capacity has grown to nearly 10,000MW.

Today, the Philippines is on the verge of bringing forth Asia's first competitive electricity supply industry. The authorities plan by the year end to begin a two-year phased sell-off of the National Power Corporation in a \$5bn privatisation. The initial sales will be of Napocor's generation assets. Part of the proceeds will be ploughed into the development of the Philippines' national grid. For this reason transmission will be retained in state hands for the time being, although the government's intention is that the grid should also be sold.

Mr Fernando Roxas, head of privatisation at Napocor, says that privatisation seeks to achieve a number of objectives. "We want to make the energy sector more efficient by putting it in private hands; we want to reduce the taxpayer's burden; we want to spread share ownership; and we want to unbundle prices and subsidies in the power sector to make the industry more transparent."

Pakistan presents another road to efficiency. Since 1994 when a new policy which provided for quick project approvals came into force, investment has flowed into the country's power industry. By 1998, capacity will have been boosted by at least 20 per cent to around 12,000MW. Investors have been offered reasonable returns. They have been promised an average tariff of 6.5 cents per kilowatt hour, which includes some provision for escalation. Imports for plants have been exempted from duties. The Pakistan authorities have allowed pro-

Asian electricity growth and forecasts



jects to go forward whose capital cost is financed by up to 80 per cent debt. Last, but by no means least, the entity which owns the power station enjoys a 30-year tax holiday.

These may seem unduly generous measures, but they have delivered electric power to a country which could not afford to provide it for itself. And the authorities are extending the experiment. Large scale transmission projects are being offered to private investors to build, operate and maintain.

The authorities are, how-

ever, facing a severe test. Pakistan's persistent trade deficit is raising questions about the government's ability to finance both the country's growing external energy bills to fuel the power stations it has approved, and meet its obligations with respect to the dollar-denominated revenues it has promised developers.

Superficially, Pakistan ought to be a model for India, but is unlikely to be so because of India's federalist and therefore decentralised decision-making structure. Maharashtra's dispute with Enron, the US energy



A hydropower plant in Yunnan province, China accounts for half Asia's market

company, caused the world to stop and reconsider India as an investment location. But the shock induced by Enron's difficulties in India last summer has given way to optimism that the world's second largest emerging market for power has turned an important corner.

Enron's Dabhol project now looks as though it will proceed after a painful renegotiation of the original deal. India needs a few successes. As its economy grows so does the gap between electricity demand and supply. This year the shortfall is set to widen to 14.5 per cent.

India's problems are exacerbated by a weak transmission and distribution system. Power losses of 20 per cent because of theft or inadequate transmission are not uncommon in India, while in some areas losses are even higher.

Significantly, the World Bank is turning its attention to transmission. "We lend quite a lot for power generation - we have done so for 40 years," says Mr Harinder Kohli, senior World Bank adviser on East Asian and Pacific Affairs. "For every dollar of generation you

need a dollar for transmission and distribution. Indeed, in some countries the bottleneck is in transmission rather than generation."

The power market which the industry is watching most intently is China's. It is undergoing a large scale restructuring, with the operations and regulation being separated. China has kept foreign investors at bay, preferring to keep the ownership of the industry restricted to mainland entities with occasional Chinese investors permitted. This may be about to change.

The awarding of contracts for Laihén B - a 700MW station in Guangxi, south China - will form the basis upon which all future power deals are done in China.

The future of foreign equity participation in China's power industry may well turn on the extent to which foreign banks will accept non-binding guarantees from provincial governments. This will decide whether China graduates from "potentially" to "actually" the world biggest market for independent power.

IN THIS SURVEY

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- Transmission and distribution: weak links in the system
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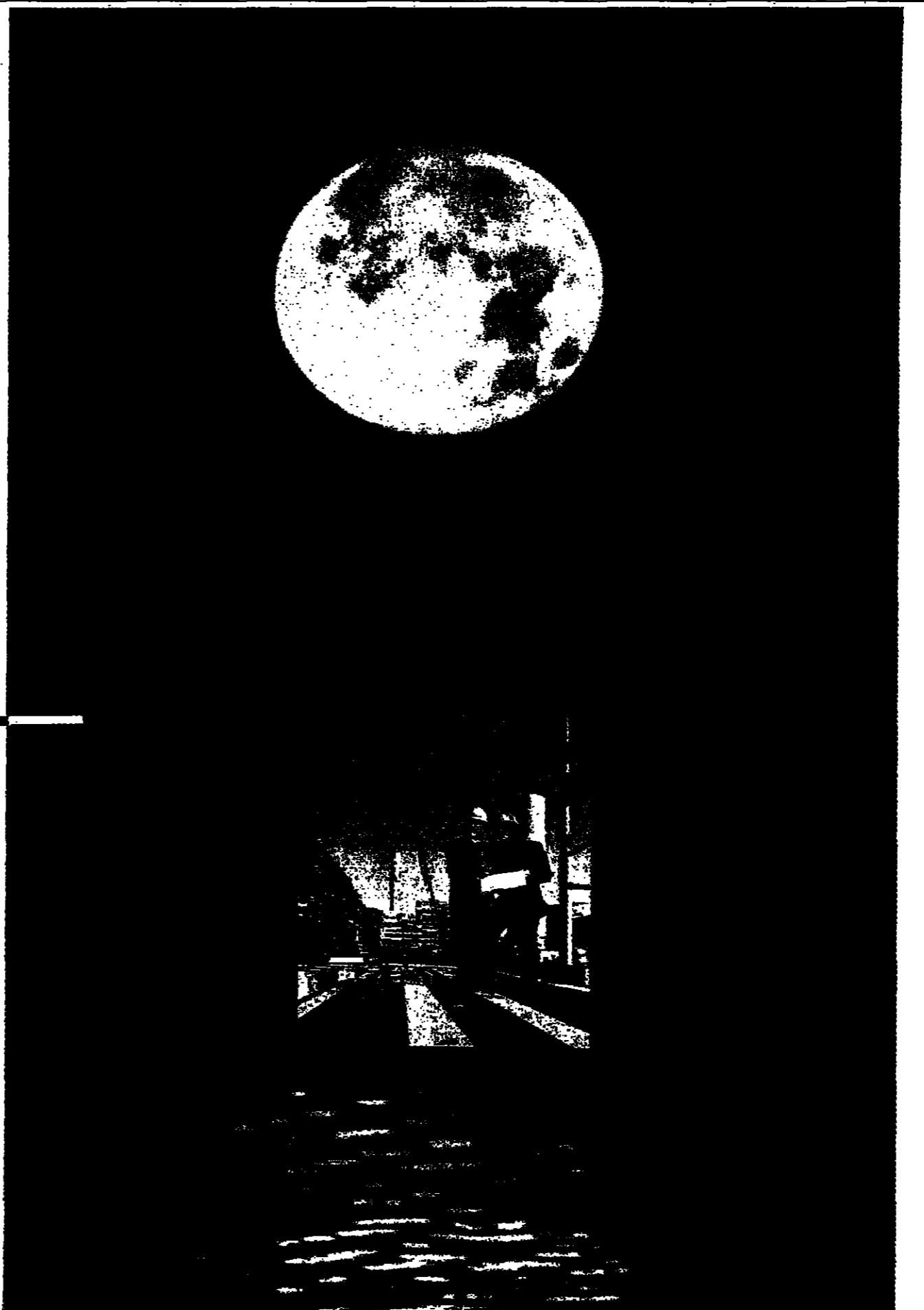
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II POWER IN ASIA

International finances by Simon Holberton

Exposure only to partial risk

The institutions are involved with the design of more market-oriented regimes

In May this year a \$630m financing for the Uch power project in Baluchistan, Pakistan, was finalised. It marked not only another milestone for Pakistan in its quest to make investment in its power sector as attractive as possible, but it was a landmark for the World Bank and the International Finance Corporation, its commercial lending affiliate.

The financial innovation in the deal was a "partial risk guarantee" from the World Bank. The guarantee covers lenders from a borrower's default due to non-performance of specific contractual obligations. These include, maintaining an agreed regulatory framework; delivering inputs such as fuel; paying for outputs such as power; compensating for project delays; and currency transfer and convertibility risks.

private finance for generation the bank has been paying more attention to transmission and distribution. "In Indonesia, the bottleneck is more in transmission and distribution than in generation," says Mr Kohli who believes this is increasingly the case in other countries as well.

However, while finance is clearly one of the more important roles of the supranational agencies such as the World Bank it is far from their only, or necessarily most important role. Making a virtue out of their limited capital resources, the supranationals are involved intensively with the design of more market-oriented regulatory regimes in the countries which welcome their activities.

Since 1994 the IFC, in particular, has been working closely with the Pakistan authorities to develop policies designed to foster confidence among foreign investors. "It has been very successful," says Mr Andrew Bartley, an investment officer in the IFC's power division. "It utilises a 'one stop shop' entity. It is empowered to give approvals and clearances; before that, developers had to go to a variety of agencies. It is an extremely important change. One of the main impediments to power development in Pakistan previously and now in India is the large number of clearances needed and excessive interference by local and central government agencies in the minutiae of projects."

PROFILE

An innovative approach to power finance

Banks hold the key to the long-term funding of power stations

While power projects often stretch technological and commercial skills to the limit, the biggest test for many schemes is finding the finance.

Often the financial elements of a package offer as much scope for innovation as the hardware. So it is with the Java Power scheme, whose construction is just starting at Easton, on Java Island, in Indonesia.

A Java Power, a joint venture between Germany's Siemens, PowerGen of the UK, and BumiPERTI, Talapadipita, the Indonesian development company, was singled out by the Indonesian government as a key project in its independent power programme.

The banks in this case were the high priority lenders and they were the project's most important stakeholders. The deal was structured with no "shareholders' equity" - a scheme's success has to be guaranteed by the lender. The success has to be guaranteed by the lender. The success has to be guaranteed by the lender. The success has to be guaranteed by the lender.

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Stefan Wagstyl

Project finance by Louise Lucas

The scent of change in the air

The 144a market could offer a new, encouraging way forward for risk loans

Recent years have been frustrating ones for bankers trying to finance power projects in Asia. China's move to cap returns to foreign investors and withhold foreign exchange guarantees effectively put the potentially biggest power market on ice.

There are advantages on both sides - just as shareholders receive their payouts earlier (which, given the time value of money, can also mean bigger returns), so, as far as the banks are concerned, it uses up less capital and hence does not require high balance sheets. This makes it particularly attractive to some of the US banks, which do not have high balance sheets and prefer to be able to turn over their capital obligations as quickly as possible.

panies are often seen as poor credit risks. Mr Takumi Shibata, president and chief executive officer of Nomura Project Finance in Hong Kong, agrees that the trend will be for more capital market related transactions, but notes that investors will be selective. This is likely to catapult projects in the ASEAN countries to the top of the pile - particularly those in the fast-growing economies of Thailand and Indonesia, and the Philippines.

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Investors in India were spooked last year when the state of Maharashtra suddenly revoked a contract previously agreed with Enron for the construction of a power plant. But bankers believe change is in the air. A number of transactions across Asia have been successfully completed, suggesting the

Taiwan by Laura Tyson

Private sector at the door

The dismantling of Taipower is complicated and could be at least a decade away

Taiwan is taking steps to dismantle a long-standing state monopoly on the domestic energy industry by allowing the private sector to participate in power supply and oil refining. Privatisation of the two government enterprises that monopolise the industry, Taiwan Power (Taipower) and Chinese Petroleum Corp (CPC), is at least five or ten years away.

consumption has risen at an average of 6.4 per cent a year for the last two decades. Total installed capacity at the end of 1995 was 21,900MW, and the reserve margin was just 4.7 per cent. This was expected to rise to 5.4 per cent this year, but it remains far below the ideal level of 20 per cent in an isolated system such as Taiwan's, officials say.

plants, the government opened the market to IPPs last year. From sources applicants, eleven groups consisting of leading domestic business concerns mostly in partnership with foreign companies, were awarded licenses to build power plants. Mr Hsu warns however that this will not solve the underlying problem. "The presumption is that private sector groups should be able to acquire sites and the right-of-way to build transmission lines more easily than Taipower, but in reality they face the same difficulties," he says.

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Hydroelectric power: by Frank Gray

A surge of consumption

Environmental rather than cost factors have caused most controversy

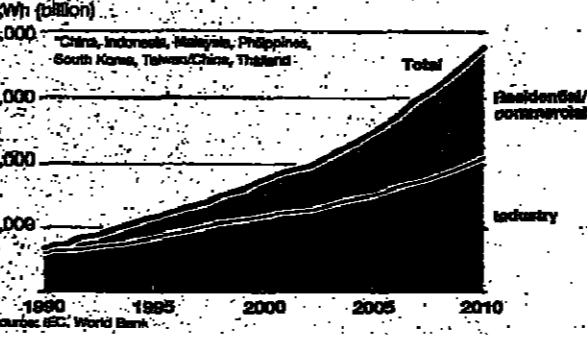
The consumption of hydroelectric power in Asia is experiencing double-digit growth, and looks like continuing this way well beyond the millennium, thanks to major hydroelectric schemes planned or under way in China, India, Nepal, Malaysia and Laos.

These projects are, in general, state-sponsored, such as the gigantic Three Gorges scheme on China's upper Yangtze River, but increasingly private sector partnerships and funding are being mobilised to support these undertakings. In addition, increasing attention is being given to private sector construction of small, run-of-river hydroelectric schemes in such mountainous areas as northern Pakistan.

China's Three Gorges 18,200MW hydroelectric scheme - by far the largest in the world - has been refused support from the US Export-Import Bank and Japan's Export-Import Bank (Jexim). The US Exim's refusal is based on concerns about resettlement of those displaced (estimated at 1.1m people at least), water treatment, danger to wildlife and deforestation. For similar reasons no support is expected from the World Bank or the Asian Development Bank.

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Final electricity demands in industrial and residential/commercial sectors*



China, Indonesia, Malaysia, Philippines, South Korea, Taiwan, Thailand. The graph shows a steady upward trend for all countries, with China showing the most significant growth.

Tanakour power dam. Last month, Australia's Snowy Mountains Engineering Corp called for "expressions of interest" from Indian customers in lifting power from the proposed 750MW West Seti River near the Nepal-Indian border. The project is subject to an environmental impact assessment.

Meanwhile, the Central Electricity Authority recently gave approval in principle for construction of the 1,107MW Alamatti dam in Karnataka State, to be built by the private sector Chamundi Power Corp. The project is still troubled by disputes over reservoir levels and water supplies to neighbouring territories, and final approvals still need to be agreed.

Equipment sales: by Stefan Wagstyl

Hopes and prospects

The best strategy is a network of partners which includes other manufacturers

For manufacturers of power engineering equipment, Asia is the land of hope and disappointment. Hope because it is seeing the greatest growth in demand for electricity and for generating equipment. Disappointment because orders for that equipment are often secured only after long delays and on tough terms.

Also, there are some signs that companies are trying to raise margins slightly in bidding for contracts, notably in China, which accounts for about half the Asian market. Chinese bidding contests have been particularly fierce, because all the large integrated groups have seen the country as their top market and have been willing to sacrifice margins for establishing their presence.

Asia accounts for about half the world's expected demand for power generation equipment, according to equipment makers. Projections of Asian countries' electricity needs suggest this could mean up to 1,000,000MW of new capacity by the year 2010, worth perhaps \$1,100bn to equipment makers.

At the same time as competing on price, the makers are strengthening their ties with the region by building factories and establishing partnerships.

The manufacturers have made things worse for themselves, by accepting orders today at low or non-existent margins, hoping to recoup profits in the future from servicing and spare parts. After seeing prices fall by 10-15 per cent a year in the 1990s, makers are hoping that the market could begin to stabilise in 1996.

Those companies which show the most commitment to individual national markets tend to get the rewards. Siemens is celebrating its success in the \$1.6bn Jawa Power project for a 1,220MW privately-financed coal-fired station in Indonesia.



Q. It's midnight on June 1st. You're in a place where the temperature chart reads the same, be it fahrenheit or centigrade. Where on earth are you?

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construction, operation...whatever the problem, you can count on us to offer you a more creative energy solution. Oh, and about that global question we posed above. The answer? You'd be in the Antarctic at a temperature of minus 40 degrees.

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VI POWER IN ASIA

Hong Kong: by Louise Lucas

Power policy kept on low heat

Changes in policy towards the split between the two main suppliers are now possible

Hong Kong's energy policy, in keeping with the spirit of much of the territory's laissez-faire framework, is minimal: a scheme of control specifies permitted profits as a percentage of net fixed assets and limits tariff hikes, while ensuring supply and demand are matched.

But a submission by one of the territory's two big suppliers to increase its output stands to magnify the government's role at a crucial time for Hong Kong - less than a year before China resumes sovereignty.

"We generally don't go in for regulating the private sector, we just monitor them," says Mr Eric Johnson, principal assistant secretary in the government's Economic Services Branch (ESB). He adds there is a degree of regulation, "to the extent we feel necessary to ensure that not only do [the private sector companies] have a reasonable incentive to stay in business and to continue to invest, but also to ensure consumers get a fair deal and that we pay due regard to other aspects, for example environmental protection which is becoming more and more important."

However, that policy is set to be taxed as the ESB deliberates over plans recently submitted by Hongkong Electric, the smaller of the two main suppliers, to build a new power station, Hong Kong Electric, which is 34.6 per cent owned by Mr Li Ka-shing's Hutchison Whampoa conglomerate, is proposing an extension of its Lamma Island plant or alternatively building on new sites in order to meet future forecast demand.

According to Hongkong Electric, which supplies Hong Kong Island, Ap Lei Chau and Lamma Islands, the government's consultants have indicated agreement with the company's system load forecast and the



Hong Kong's Lamma Island: an extension is proposed in order to meet future forecast demand

need for additional generating capacity in 2003. However, analysts say the decision is not necessarily clear-cut - in essence, because of the excess supply on the Kowloon peninsula, home to mass residential estates, light industrial factories, and retail malls, which is served by China Light and Power (CLP).

It is this overall demand/supply equation - as opposed to that on Hong Kong island, which includes some of the wealthiest residential areas and the prime office sites - which could lead the government to veto Hongkong Electric's proposals.

The government, eager to debate accusations of a neatly-split duopoly, insists the Scheme of Control agreement does not confer exclusive rights on Hongkong Electric and CLP to supply, respectively, Hongkong Island and Kowloon. Indeed, there are a few tiny operators supplying villages outside the CLP grid in the northern part of the remote New Territories.

According to Ms Caroline Rodgers, an analyst with

Merrill Lynch in Hong Kong, the traditional policy of planning for the two areas separately has been purely for the sake of convenience, and ESB has indicated that oversupply could be sufficient reason for changing historic practice. Moreover, the government department has verbally confirmed that Hongkong Electric's obligations are to Hong Kong as a whole, and that it does not have a right to supply all demand coming off the island.

Possible changes in government policy towards the historically neat split between the two companies are being prompted by more than Hongkong Electric's desire to build. Changes in the economy have also skewed the fortunes of the two utilities. While CLP is suffering from the ongoing migration of manufacturing factories across the border into China - which is reducing demand, forcing CLP to delay its capital expenditure programme - Hongkong Electric expects to benefit from the massive Central to Wanchai reclamation project

and other major developments that will boost demand for electricity.

Thus, if the government blocks Hongkong Electric's extension, it must either chart a means for it to buy excess capacity off CLP (which could require compensating Hongkong Electric) or allow Hongkong Electric to make up its shortfall by buying from mainland China.

Ms Rogers expects the government would go the former route, with Hongkong Electric making a capacity payment to secure the rights to an equivalent amount of generating capacity. An agreement could be made to reward this investment with an identical return to that of the Scheme of Control, which lays out the financing parameters for the two utilities. This return could then be deducted from CLP's return under its Scheme of Control - an arrangement which could have an impact upon the latter's shareholders.

Such a solution stands to alienate both the utilities, and would also entail substantial policy changes which could prove unpopular (or at any rate a low priority) with the handover of Hong Kong's sovereignty less than a year away. In this context it is possible the company's relations with Beijing may come into play: Hongkong Electric, through Mr Li, is very close to Beijing and CLP, through the foundations laid by its late founder Lawrence (later Lord) Kadoorie, also enjoys good relations on the mainland.

Beijing could be persuaded that new arrangements undermine the 15-year scheme of control agreements, which essentially ensure customers will have a reliable, efficient and reasonably priced supply. Many analysts reckon that the easiest option for the government would simply be to ignore the excess supply to Kowloon and give Hongkong Electric the go-ahead, even though to do so may well prove detrimental to the consumers - and they pay for excess capacity - the Schemes of Control are designed to protect.

China is edging towards securing greater foreign involvement in its over-stretched power sector, but progress is slow and international power companies will need to be patient.

Negotiations under way for a 700MW power plant in the Guangxi region, southern China, are likely to prove critical to foreign ambitions. The Laibin B project is being used as a model by the Chinese for foreign equity participation in the power sector.

The State Planning Commission, which is involved in the approval process for all major projects in China, has said that "standardised guidelines and documentation" used in the Laibin approval process will be applied to other build-operate-transfer schemes not just in power, but in infrastructure generally.

Foreign power companies, therefore, have a big stake in the successful outcome of the Laibin negotiations. Officials involved in the discussions say that difficult issues include repayment guarantees demanded by foreign banks and credit agencies and power purchase arrangements.

Stakes are high in a sector which offers enormous potential for equity participation, but has proved a difficult nut to crack for investors. Beijing, in spite of a chronic electricity shortfall, has been reluctant to open its doors on terms which might be acceptable to foreign partners.

Much discussion in the Laibin negotiations will be revolving around whether "letters of comfort" offered by provincial governments to support local projects in lieu of bank guarantees will be sufficient.

China: by Tony Walker

Towards foreign involvement

The "comfort letters" in the Laibin talks are the key to a vast market

Foreign banks and investors have serious reservations about the value of these so-called "comfort letters", arguing they would not be enforceable legally in the event of a default.

However, the attractions of China are such that foreign companies are bending over backwards to find ways around the bank guarantee problem. A recent study by DRI/McGraw Hill* explains why.

The study found that by 2015, annual demand for energy in China will climb to 1.94bn tonnes of oil equivalent from 750mton in 1983. That is if present policies of decentralisation and price liberalisation continue.

Investment required to meet this demand could reach \$1,000bn, of which slightly more than half would go on electric power generation. Foreign capital would account for 20 per cent of the total. In other words, there is enormous scope for foreign involvement in the power sector if China applies more flexible policies and foreign power companies are able to accept them.

Pressure on Beijing to exhibit greater flexibility derives from the fact that power supplies fall well short of demand. According to the Ministry of Electric Power's own estimates 15-20 per cent of demand cannot be satisfied. Paragrine, the Hong Kong-based investment bank, says that by 2000 "the electricity shortfall will at best be around 11 per cent of electricity demand, despite the Chinese government's aggressive development plans."

China expects investment in the power sector to reach Yn690bn (\$88bn) during the Ninth Five Year Plan (1996-2000), 20 per cent of which would come from foreign sources, including "soft loans".

China plans to add 15,000MW a year to the present total of around 200,000MW, reaching

300,000MW by 2000. This would involve trebling capacity between 1987-2000, no small achievement in itself.

Power shortages, especially in the energy-starved southern areas where growth is most rapid, continue to be a drag on the economy. According to some estimates, insufficient supplies shave 1-2 percentage points from GDP growth.

Mr Shi Dashen, the minister of electric power, helped in a recent interview to put in perspective challenges facing China with its huge population of 1.2bn set to reach 1.3bn in 2000. He pointed out that while China ranks second or third in the world in installed capacity with 217,000MW (there is debate whether it has outstripped Japan), it is only 80th in terms of consumption per head.

If it were to reach the present US level of installed capacity per head it would need 2.6mMW of generating capacity, or five to six times its target for 2010 of 500,000MW-550,000MW.

In its efforts to both commercialise and energise its power sector, China has also embarked on an ambitious restructuring. It plans to consolidate all nationally-owned power stations into a national corporation with assets worth Yn400bn.

The new Federation of Chinese Power Enterprises would facilitate the separation of the regulatory functions of the Ministry of Electric Power from the power sector itself. The new vehicle would be used to issue shares and bonds, and raise financing for new projects.

The federation would also be authorised to engage in equity ventures with foreign partners for the extension of existing power stations, or the construction of new ones.

*China's Energy in Transition, DRI International Energy Consulting, 8-10 rue Villado, 75001 Paris, France. Fax 331 42 60 25 05

PROFILE

Little time for gloomy forecasts

As the economy matures, the company has broadened its horizons

Mr Ross Sayers has little time for gloomy predictions of Hong Kong's prospects. The chief executive of China Light and Power, the territory's biggest electricity company and monopoly supplier to Kowloon, sees continued growth at home, despite Hong Kong's slowing economy, and strong potential beyond its borders.

"OECD countries would kill for this kind of growth," he says, referring to the company's expectations that GDP will rise by between 3.5 per cent and 5 per cent per annum to the year 2000. The handover to China, he argues, will remove uncertainty in the business environment, and pales besides the significance of power demand on the mainland and in the region.

It is an appealing scenario, with much to support it. But the fact remains that CLP is going through one of the trickiest patches of its 96-year history. "The reality is that they will never see the growth rates in Hong Kong that they enjoyed in the past," says Mr Robert Dakell, utilities analyst at ING Barings.

Part of the explanation lies in the maturing of the Hong Kong economy. One of Asia's original export tigers, it no longer records the double digit rises of the 1970s and 1980s and has suffered from weak consumption and retail spending over the past 18 months.

Structural shifts are no less significant. High land costs and inflation have prompted much of the territory's manufacturing industry to seek cheaper production sites, resulting in an exodus across the border into southern China

and elsewhere in the region.

The scale of the upheaval is revealed in the statistics. Manufacturing's share of GDP has fallen from 24 per cent in 1978 to below 15 per cent today, while its workforce has halved to below 400,000. As a result, industrial demand for electricity has shrunk.

Although the manufacturing downturn has been offset by increased commercial and domestic sales, CLP has revised its investment plans. The corporate plan drawn up in 1989, projecting capital expenditure of HK\$20bn by 1995. That figure was cut last year to about HK\$5.3bn. Mr Sayers believes further "fine tuning" may be needed, although he rules out a major revision.

Demand in Hong Kong is likely to be supported by economic recovery, signs of which are already penetrating the retail and property markets. There are also significant new sources of revenue in the group's home market.

Chief among these is Hong Kong's Chek Lap Kok airport, which is set for completion by spring 1998. New towns are being built, while the territory's Mass Transit Railway system is also set to consolidate its position as CLP's biggest customer through the launch of new services.

But with the maturing of the Hong Kong economy, CLP has been prompted to broaden its horizons. CLP already has significant investments on the mainland. The Hong Kong group has a 25 per cent stake in the Daya Bay nuclear plant and has a joint venture generation project in Guangzhou. Along with partners which include Electricité de France, CLP has won Beijing's blessing for a major power plant in Shandong, on the eastern coast. Outside of China, the company is progressing with joint-venture projects in Taiwan and India and is examining proposals in Indonesia and Thailand.

It is not an easy business.

Rivalry is fierce and the projects are littered with pitfalls. The Shandong plant, which has been under negotiation for almost three years, depends on agreeing a financial structure which can reconcile the consortium's bankers and export credit agencies with China's refusal to provide state guarantees. The strength of competition for projects in the region and the complexities involved may also cause casualties, says the CLP chief. "I wouldn't be surprised if some of the projects run into difficulties," he says. "Some of the flash eddies will disappear and the more aggressive and successful of the established operators will become the market leaders."

Despite the obstacles, CLP, says Mr Sayers, has strong cards to play on the mainland. The Kadourie family, which owns about 34 per cent of CLP, has been active in China since the late nineteenth century, underpinning close contacts between the group and Beijing. The Daya Bay power station remains the biggest joint venture in China, while the Hong Kong group has provided training for hundreds of mainland technicians.

Such links should help further the group's ambitions on the mainland. They may also buttress its position at home. Hong Kong's handover to China next year has raised the prospect that mainland companies might seek to take stakes in the territory's companies and that lucrative monopolies are particularly vulnerable.

Mr Sayers sees little cause for concern. For him, the direction of business ambitions is likely to point the opposition way after July 1997. "Hong Kong's importance as a gateway to China can only increase after the handover," he says.

John Ridding



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مكتبة العربي

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Table with columns: Country, Closing mid-point, Change on day, Bid/offer spread, Day's mid high/low, One month rate, Three months rate, One year rate, Bank of England rate.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table with columns: Country, Closing mid-point, Change on day, Bid/offer spread, Day's mid high/low, One month rate, Three months rate, One year rate, JP Morgan rate.

WORLD INTEREST RATES

Table with columns: Country, Over night, One month, Three months, Six months, One year, Lomb. year, Dis. rate, Repo rate.

CROSS RATES AND DERIVATIVES

Table with columns: Country, Bid, Ask, Bid, Ask, Bid, Ask, Bid, Ask, Bid, Ask, Bid, Ask.

FT GOLD MINES INDEX

Table with columns: Gold Mines Index, Bid, Ask, Bid, Ask, Bid, Ask, Bid, Ask, Bid, Ask, Bid, Ask.

EURO CURRENCY INTEREST RATES

Table with columns: Country, Short term, 7 days, One / Three months, Six months, One year.

EXCHANGE CROSS RATES

Table with columns: Country, Bid, Ask, Bid, Ask, Bid, Ask, Bid, Ask, Bid, Ask, Bid, Ask.

UK INTEREST RATES

Table with columns: Instrument, Over-night, 7 days, One month, Three months, Six months, One year.

THREE MONTH EURO DOLLAR

Table with columns: Sep, Open, Settle, Change, High, Low, Est. vol, Open Int.

US TREASURY BILL FUTURES

Table with columns: Sep, Open, Settle, Change, High, Low, Est. vol, Open Int.

STRENGTHENING FUTURES

Table with columns: Sep, Open, Settle, Change, High, Low, Est. vol, Open Int.

UK GILTS PRICES

Table with columns: Instrument, Price, % Yield, % Yield, % Yield, % Yield, % Yield, % Yield.

BANK RETURN

Table with columns: Department, Assets, Liabilities, Reserves, Other accounts.

BANK OF ENGLAND TREASURY BILL TENDER

Table with columns: Bill type, Amount, Interest rate, Maturity date.

BASE LENDING RATES

Table with columns: Bank, Rate, Bank, Rate, Bank, Rate, Bank, Rate.

STOCK INDICES

Table with columns: Index, Sep 15, Sep 12, Sep 11, Sep 10, Sep 9, High, Low, High, Low.

Other Fixed Interest

Table with columns: Instrument, Amount, Interest rate, Maturity date.

RIGHTS OFFERS

Table with columns: Issue, Amount, Latest price, Closing price.

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LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Table listing various alcoholic beverage companies and their share prices.

BANKS, MERCHANT

Table listing banks and merchant companies and their share prices.

BANKS, RETAIL

Table listing banks and retail companies and their share prices.

BREWERS, PUBS & REST

Table listing brewers, pubs, and restaurant companies and their share prices.

BUILDING & CONSTRUCTION

Table listing building and construction companies and their share prices.

BUILDING MATS. & MERCHANTS

Table listing building materials and merchant companies and their share prices.

CHEMICALS

Table listing chemical companies and their share prices.

CHEMICALS - Cont.

Continuation of chemical companies and their share prices.

DISTRIBUTORS

Table listing distributor companies and their share prices.

DIVERSIFIED INDUSTRIALS

Table listing diversified industrial companies and their share prices.

ELECTRICITY

Table listing electricity companies and their share prices.

ELECTRONIC & ELECTRICAL EQPT

Table listing electronic and electrical equipment companies and their share prices.

ENGINEERING, VEHICLES

Table listing engineering and vehicle companies and their share prices.

EXTRACTIVE INDUSTRIES

Table listing extractive industries companies and their share prices.

ELECTRONIC & ELECTRICAL EQPT - Cont.

Continuation of electronic and electrical equipment companies.

ENGINEERING

Table listing engineering companies and their share prices.

EXTRACTIVE INDUSTRIES - Cont.

Continuation of extractive industries companies.

FOOD PRODUCERS

Table listing food producer companies and their share prices.

GAS DISTRIBUTION

Table listing gas distribution companies and their share prices.

HEALTH CARE

Table listing health care companies and their share prices.

HOUSEHOLD GOODS

Table listing household goods companies and their share prices.

EXTRACTIVE INDUSTRIES - Cont.

Continuation of extractive industries companies.

HOUSEHOLD GOODS - Cont.

Continuation of household goods companies.

INSURANCE

Table listing insurance companies and their share prices.

INVESTMENT TRUSTS

Table listing investment trusts and their share prices.

INVESTMENT TRUSTS

Continuation of investment trusts and their share prices.

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HOUSEHOLD GOODS - Cont.

Continuation of household goods companies.

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Continuation of investment trusts and their share prices.

INVESTMENT TRUSTS

Continuation of investment trusts and their share prices.

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ENGINEERING - Cont.

Continuation of engineering companies and their share prices.

FOOD PRODUCERS - Cont.

Continuation of food producer companies and their share prices.

GAS DISTRIBUTION

Table listing gas distribution companies and their share prices.

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Continuation of investment trusts and their share prices.

INVESTMENT TRUSTS

Continuation of investment trusts and their share prices.

معلومات الاصل

مكتبة العدل

BY TRUSTS SPLIT CAPITAL - Cont.

Table listing various trusts and their financial details, including names like 'The British Trust for Ornithology' and 'The British Trust for World Heritage Sites'.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts such as 'The British Trust for World Heritage Sites' and 'The British Trust for World Heritage Sites'.

INVESTMENT COMPANIES

Table listing investment companies like 'The British Trust for World Heritage Sites' and 'The British Trust for World Heritage Sites'.

LEISURE & HOTELS

Table listing leisure and hotel companies such as 'The British Trust for World Heritage Sites' and 'The British Trust for World Heritage Sites'.

LEISURE & HOTELS - Cont.

Table listing leisure and hotel companies (continued).

LIFE ASSURANCE

Table listing life assurance companies.

MEDIA

Table listing media companies like 'The British Trust for World Heritage Sites' and 'The British Trust for World Heritage Sites'.

OIL EXPLORATION & PRODUCTION

Table listing oil exploration and production companies.

OR, INTEGRATED

Table listing OR, integrated companies.

OTHER FINANCIAL

Table listing other financial companies.

PAPER, PACKAGING & PRINTING

Table listing paper, packaging and printing companies.

PHARMACEUTICALS

Table listing pharmaceutical companies.

PROPERTY

Table listing property companies.

PROPERTY - Cont.

Table listing property companies (continued).

PROPERTY - Cont.

RETAILERS, FOOD

Table listing food retailers.

RETAILERS, GENERAL

Table listing general retailers.

SUPPORT SERVICES

Table listing support services companies.

TELECOMMUNICATIONS

Table listing telecommunications companies.

TEXTILES & APPAREL

Table listing textiles and apparel companies.

TOBACCO

Table listing tobacco companies.

TRANSPORT

Table listing transport companies.

WATER

Table listing water companies.

AIM

Table listing AIM companies.

AIM - Cont.

Table listing AIM companies (continued).

AMERICANS

Table listing American companies.

CANADIANS

Table listing Canadian companies.

SOUTH AFRICANS

Table listing South African companies.

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Table listing various offshore funds under Bermuda (SIB RECOGNISED) with columns for Fund Name, ISIN, and other identifiers.

BERMUDA (REGULATED)**

Table listing various offshore funds under Bermuda (REGULATED)** with columns for Fund Name, ISIN, and other identifiers.

GUERNSEY (SIB RECOGNISED)

Table listing various offshore funds under Guernsey (SIB RECOGNISED) with columns for Fund Name, ISIN, and other identifiers.

GUERNSEY (REGULATED)**

Table listing various offshore funds under Guernsey (REGULATED)** with columns for Fund Name, ISIN, and other identifiers.

Table listing various offshore funds under Ireland (SIB RECOGNISED) with columns for Fund Name, ISIN, and other identifiers.

IRELAND (SIB RECOGNISED)

Table listing various offshore funds under Ireland (SIB RECOGNISED) with columns for Fund Name, ISIN, and other identifiers.

IRELAND (REGULATED)**

Table listing various offshore funds under Ireland (REGULATED)** with columns for Fund Name, ISIN, and other identifiers.

Table listing various offshore funds under Jersey (SIB RECOGNISED) with columns for Fund Name, ISIN, and other identifiers.

JERSEY (SIB RECOGNISED)

Table listing various offshore funds under Jersey (SIB RECOGNISED) with columns for Fund Name, ISIN, and other identifiers.

JERSEY (REGULATED)**

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Table listing various offshore funds under Isle of Man (SIB RECOGNISED) with columns for Fund Name, ISIN, and other identifiers.

ISLE OF MAN (SIB RECOGNISED)

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ISLE OF MAN (REGULATED)**

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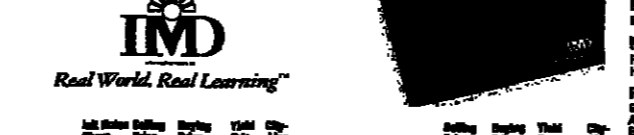


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معلومات الاصل

الشرق الأوسط

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

FT Cityline Unit Trust Prices: dial 0991 430010 and key in a 5 digit code listed below. Calls are charged at 39p/minute cheap-rates and 49p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4376.

LUXEMBOURG (SIS RECOGNISED)

Main table containing fund names, descriptions, and prices for various offshore funds and insurances. Includes sections for 'LUXEMBOURG (REGULATED)', 'OFFSHORE INSURANCES', and 'OFFSHORE FUNDS'. Each entry typically includes a fund name, a brief description, and a price per unit.

LUXEMBOURG (REGULATED)

OFFSHORE INSURANCES

Table listing offshore insurance policies, including company names, policy types, and associated costs or terms.

FT MANAGED FUNDS SERVICE

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Table of fund prices and details for various categories including Global Asset Management, Global Growth, and Global Income. Columns include fund name, price, and other identifiers.

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OTHER OFFSHORE FUNDS

Table listing other offshore funds with columns for fund name, price, and other details.

MANAGED FUNDS NOTES: This section provides detailed information and disclaimers regarding the funds listed in the advertisement.

معلومات الاصل

سوق الاسهم

WORLD STOCK MARKETS

EUROPE

Table listing stock market data for various European countries including Austria, Belgium, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, and Switzerland.

ASIA

Table listing stock market data for various Asian countries including Hong Kong, India, Indonesia, Japan, Korea, Malaysia, Philippines, Singapore, South Africa, South Korea, Taiwan, Thailand, and the UK.

AFRICA

Table listing stock market data for various African countries including Egypt, Kenya, Nigeria, and South Africa.

OCEANIA

Table listing stock market data for various Oceania countries including Australia and New Zealand.

MIDDLE EAST

Table listing stock market data for various Middle Eastern countries including Israel and Turkey.

Advertisement for Rockwell Automation with the headline 'From automotive to automation, Rockwell gets your business moving' and the Rockwell logo.

INDICES

Table of market indices including Dow Jones, S&P 500, Nikkei, and others, with columns for date, high, low, and change.

US INDICES

Table of US market indices including Dow Jones, S&P 500, and Nikkei, with columns for date, high, low, and change.

NEW YORK

Table listing active stocks in New York, including company names, prices, and changes.

TOKYO

Table listing active stocks in Tokyo, including company names, prices, and changes.

ASIA

Table listing active stocks in Asia, including company names, prices, and changes.

Footnote and disclaimer text: 'FT FINANCIAL REPORTS SERVICE... The data in this table are based on the most recent data available...'

NEW YORK STOCK EXCHANGE PRICES

4 pm EST September 13

Main table of stock prices with columns for stock name, price, and change. Includes sections for 'NEW YORK STOCK EXCHANGE PRICES', 'NASDAQ LISTED STOCKS', and 'NASDAQ LISTED STOCKS'.

Advertisement for Hewlett-Packard with the headline 'Race to Market' and the URL 'http://www.hp.com/go/computing'.

معلومات الأصل

Continued on next page

NYSE PRICES

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page' and 'AMER'.

NASDAQ NATIONAL MARKET

Table of NASDAQ National Market stock prices including columns for stock name, price, change, and volume.

AMER PRICES

Table of American stock prices including columns for stock name, price, change, and volume.

Advertisement for Portugal wine featuring the text 'Have your FT hand delivered in Portugal.' and 'Gain the edge over your competitors by having the Financial Times delivered to your home or office every working day.'

Large advertisement for Portugal wine with the text 'Have your FT hand delivered in Portugal.' and 'Gain the edge over your competitors by having the Financial Times delivered to your home or office every working day.'

FT GUIDE TO THE WEEK

MONDAY 16

Franco-Spanish summit

Monetary union and common Mediterranean interests will head the agenda in talks between José María Aznar, the Spanish prime minister, and Romano Prodi, his Italian counterpart.

Hungary/Romania treaty

Hungary and Romania sign a bilateral treaty, a prerequisite of their membership of Nato and the European Union. The treaty, which follows years of negotiation, is to be signed in the Romanian city of Timisoara.

Australian PM in Jakarta

John Howard begins his first big overseas trip as Australia's prime minister. He arrives in Jakarta to hold talks with President Suharto.

Americas free trade area

Deputy trade ministers from the 34 members of the proposed Free Trade Area of the Americas (FTAA) meet in Ft. Lauderdale, Florida.

FT Survey

Power in Asia.

Public holidays

Guatemala, Honduras, Japan, Mexico.

TUESDAY 17

France and Germany talk

The finance ministers and central bank governors of France and Germany



Look and learn: as the US reinforces its military presence in the Gulf, its allies and foes are weighing up the chances of another attack on Iraq

decamp to Kempten in Bavaria for the twice-yearly meeting of the two countries' economic and financial council.

UN general assembly

The 51st session of the United Nations general assembly opens in New York, with its 186-item agenda including no fewer than 21 items on general disarmament.

Kohl in Latin America

Helmut Kohl, the German chancellor, arrives in Brazil after two days in Buenos Aires as part of a Latin American trip.

Latin America were down 6 per cent.

Japan/China trade mission

The Japan-China Association of Economy and Trade sends a mission to China. The mission comes at a sensitive time for Sino-Japanese relations.

Internet controls pondered

Proposals for EU action to control pornographic and racist material on the Internet will be debated at the European Parliament's first plenary session.

Public holidays

Angola, Mauritius.

WEDNESDAY 18

French budget presented

France's 1997 budget, one of the most important in recent years, is due to be presented.

make French participation in a single currency credible by convincing sceptical markets that the government can hit next year's budget deficit target of 3 per cent of gross domestic product.

European Union debate

The European Parliament will hold its second "state of the union" debate, with Jacques Santer, president of the European Commission.

Saleroom

Paul McCartney's handwritten lyrics for the song "With a little help from my friends" are the star lot in Sotheby's auction of rock and roll and film memorabilia.

Thai no-confidence motion

Debate begins on a no-confidence motion against Banham Silpa-archa,

the prime minister of Thailand, with the centre vote itself expected on Friday.

FT Surveys

Philippines: Europe's Most Respected Companies.

Public holiday

Chile.

THURSDAY 19

Good cheer for the South

The Geneva-based United Nations Conference on Trade and Development (Unctad) will have some rare good cheer for developing countries in its latest report.

Equestrianism

Blenheim three-day event, Woodstock, England (to Sept 22).

FT Survey

International Telecommunications.

Golf

Loch Lomond World Invitational event, Scotland (to Sept 22).

Public holiday

Chile.

FRIDAY 20

EU finance ministers meet

EU finance ministers and central bank governors meet in Dublin for weekend talks on how to manage the transition to economic and monetary union in 1999.

Estonian poll continues

Estonian presidential elections continue in Tallinn, the capital, when a special electoral college involving 273 regional leaders and 101 MPs gathers.

the necessary two-thirds vote in parliament last month. The charismatic Mr Meri has come under attack for alleged RGB links from the nationalist Mr Ruutel, whose power base is in rural Estonian regions.

FT Surveys

Social Housing (UK only); Venture and Development Capital; UK Business Property.

Public holiday

Belize.

SATURDAY 21

Public holidays

Armenia, Bangladesh, Belize, Malta.

SUNDAY 22

Lib-Dem conference opens

The Liberal Democrats kick off the UK party conference season, the last before the general election, in Brighton. Given the importance the electorate places on party unity, the conference is likely to be more disciplined than usual.

Election in Greece

Greece holds an early general election, one year before the Panhellenic Socialist Movement's (Pasok) four-year term runs out.

Motor racing

Britain's Damon Hill, driving a Williams-Renault (although he won't be doing so next season), can take a big step towards the world drivers' championship in the Portuguese grand prix at Estoril.

Public holiday

Italy.

Compiled by Simon Strong. Fax: (+44) (0)171 373 3194.

ECONOMIC DIARY

Statistics to be released this week

Table with columns for Day, Released, Country, Economic Statistic, Median Forecast, Previous Actual, Day, Released, Country, Economic Statistic, Median Forecast, Previous Actual.

Other economic news

Monday: German data due this week are expected to show the growth of M3 money supply is slowing, while the Ifo business climate index should show that the pick-up in economic growth is only modest.

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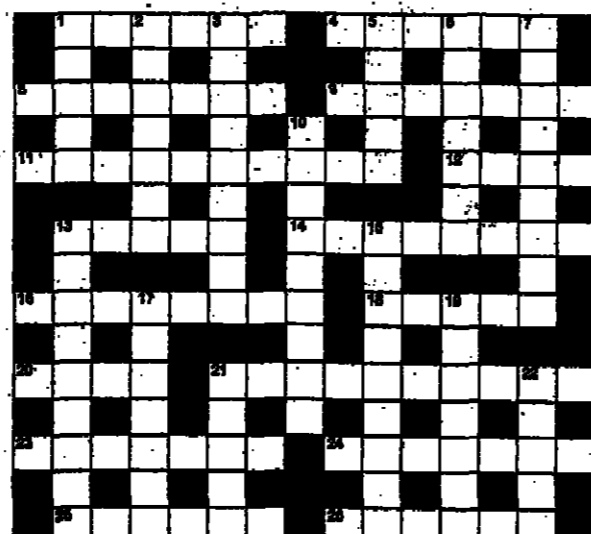
Eurostar advertisement featuring a train image and contact information: 0345 303030 or see your travel agent.

ACROSS

- 1, 4 Seller of unusual tree resin; artist back, blushing (6,6)
5, 9 Where one goes to be trained? (7,7)

DOWN

- 1 Show you're angry -- die! (6)
2 Soldiers left to relax after liberation? (7)



MONDAY PRIZE CROSSWORD No.9,174 Set by GRIFFIN

A prize of 4 Felkann New Classic 80 fountain pens for the first correct solution is awarded on the 17th of September 1996.

Crossword solution grid showing letters in their respective positions.

تلفونات الاصل

SPORT / ARCHITECTURE

Michael Thompson-Noel · Sport

Barclaycard: a measured tread towards 2000

Bob Potts' eyes showed only a momentary iciness when I asked him last week whether Barclaycard's new \$6m, four-year sponsorship of British Olympic sport wasn't shotgunning money at too broad a target, rather than rifling it at a marketing bull's-eye.

Potts is chief executive of Barclaycard, which says it is Britain's largest credit card company. He has been with Barclays for almost 30 years, spending most of that time in retail banking.

Potts looked fleetingly aghast when I asked him why, instead of bothering with his new sponsorship, called Barclaycard Champion of British Sport, he didn't simply buy himself a dozen of Britain's most promising Olympic prospects for the Sydney games in 2000, put them on Barclaycard's payroll - and bank in the glory of an unusually well focused and pioneering marketing wheeze.

give their time to sport at the grassroots level. No, said Potts, warily. Buying a dozen top Olympic prospects and putting them on the payroll had not been considered. "The point of our programme," he said, "is that it has very wide customer approval. Over 90 per cent of our customers are interested in sport one way or the other, so a sponsorship like this is a perfect fit with our business. We have very carefully researched all this over a period of two years."

So Barclaycard wasn't leaping on to a marketing bandwagon by cashing in on Britain's lacklustre performance at the Atlanta Olympics this summer? Not at all, said Potts, implying that leaping on to bandwagons was not his style. It could have been worth a try, though. One day, I reckon, all important sports teams, including those that compete in the Olympics, will be owned by corporations. Things will be rather jolly.

Among those present when Potts unveiled his new sponsorship was Britain's Steven Redgrave, the only rower to have won four Olympic gold medals. Redgrave was asked if he was tempted to reconsider his decision to retire, given the sort of money now coming into sport. "If I had all \$6m

I'd carry on for the next four Olympics," said Redgrave. I do not believe he was joking.

Meanwhile, Bill Rathburn, the security chief at this summer's Atlanta Olympics, has advised those who find themselves organising future games to think small. Rathburn claimed last week that the Atlanta games, by several yardsticks the biggest Olympics ever, were plagued by behind-the-scenes management problems because of their size. "They were too big," he said. "I don't think you'll see games this big again for a long, long time. Just to sell all the tickets you can sell is not necessarily the right approach." Atlanta broke many records for Olympic bigness, said Rathburn: 2m spectators, 11m tickets, 10,780 athletes from 197 countries, 271 events, 1,383 medals.

"The problems that [size] created were invisible to the average person, but they were problems that we... had operationally," he said.

That is just an excuse. Atlanta knew it was going to stage the biggest-ever Olympics, but made a mess of them. All in all, Atlanta's experience has convinced me that one day - not soon - the games will return to their original home at Olympia, in Greece, perhaps

under the guardianship of the UN.

The modern bidding process in which cities compete to host the games is ridiculously expensive. Scrap it, and the International Olympic Committee, which owns the games, could afford to build a modern wonder of the world: an awe-inspiring stadium at Olympia, set at the heart of a futuristic sports theme-park that included a recreation of Olympia's ancient sanctuary, temple and statue of Zeus.

The Olympics do not need much scaling down. But they have got to be well managed.

A new stadium at Olympia of the sort I am imagining would cost at least \$20m in today's money but could be funded (why not?) by an international, tax-exempt bond offering, similar to the private offering that is partially financing the new \$234m National Tennis Centre in New York, which from next year will be the main stadium for the US Open. Building stadiums that please everyone is notoriously difficult. Gino Rossetti of Michigan-based Rossetti Associates, which designed the new tennis centre in New York, says that the US Tennis Association "had maybe the worst stadium



Steven Redgrave, Britain's champion rower: 'If I had all \$6m I'd carry on for the next four Olympics'

centre of the grand slam tournaments. Their charge to us was to make it the best in the world."

Rosetti says the worst seats in the new 23,500-seat main arena are only 15ft further from court than in the US's existing (and long derided) 20,000-seat Louis Armstrong Stadium. The new arena has courtside boxes, two rings of luxury suites and spacious individual seats. The price of the choicest box seats will increase by up to 100 per cent next year, with top seats costing \$50,000 for the two-week tournament. But there has been plenty

of criticism. For example, Allan Swardlowe, a New York architect and professor of urban design, says the new stadium is not so much state-of-the-art as artless. "It looks cheap to me," says Swardlowe, who teaches at the Pratt Institute in Brooklyn. "Like everything else in New York, things are based on budgets. They're done quickly... with very little understanding of context."

Are claque shaping events in British soccer? Fan-power, it is believed, will drive an increasing

number of soccer managers out of their jobs because the rising cost of watching games is producing more vociferous supporters. John Camkin, secretary of the League Managers' Association, says the game is now so cash conscious that there is an escalation of protests by fans.

Howard Wilkinson, recently sacked as manager of English Premiership side Leeds, says protests by a claque of Leeds fans during the club's 4-0 drubbing by Manchester United the other day contributed to his downfall.

"I think the pressure from fans has increased tremendously since the cost of football went up," says Camkin. "Very few boards are strong enough to stand up to the protests of [a] minority. If [fans] are paying £25 to go and see a match these days, who can deny them the right to protest?"

Quite so. But managers should not despair. All they need do is hire their own claque and pay them to drown out the protesters for as long as it takes to solve whatever is ailing their clubs. Some managers might find it prudent to hand out very large sums indeed.

I met an architect at a party the other night who said he had been asked to enter a competition to design a "Christian Millennium Centre" for London. We were standing in a candle-lit room surrounded by Sir John Soane's art and antiquities collection. It provides evidence of the career of one of the greatest architects who saw the 18th century turn into the 19th. What would Soane have thought about the chance to design an edifice of such clear symbolism and potential power? No doubt he would have reinterpreted tradition in his individual

Colin Amery · Architecture

Sir Norman's great new tower of London

way. But contemporary architects are more than a bit stuck when it comes to designing anything monumental or deeply symbolic. Their training does not give them a grounding in history, and "modern" life does not have a visible and universal symbolic language.

In Britain, current architectural ideas for the millennium

include bridges, towers, earth centres and art galleries. The one that is exercising minds at the moment is Sir Norman Foster's proposed London Millennium Tower on the site of the bombed Baltic Exchange, which demonstrates how the lack of shared symbolic values can be filled by adopting sheer size as the dominant quality. As designed at present, it will be 1,265ft high - the tallest building in Europe.

The reaction to the proposed tower has been mixed. However, the City of London's skyline is at present so half hearted - even ugly - that the opportunity to build a tower designed by Sir Norman should not be missed. He has a skill and elegance that is unique, and he

or arrogant. In fact, I think he might agree that the top of his tower is not yet right. Architectural aspirations of a more modest kind are recounted in a brilliant small exhibition that has just opened at the Riba Heinz Gallery in London, on the short but potent career of the modernist architect Christopher Nicholson, who died in 1948. Nic-

holson had a remarkable pedigree. His father was the artist William Nicholson, who had been trained by Whistler; and his brother was Ben Nicholson, the British abstract artist. Nicholson set up his architectural practice after Cambridge with Hugh Casson. With such a brilliant start in English cultural life he was poised to go far, but

was killed in a gliding accident when he was 44. The exhibition shows that he had already started to turn English architecture towards a stylish version of international modernism. The exhibition shows Nicholson's architectural development from the beaux arts to modernism, as well as his interest in furniture and product design. Nicholson's career showed a deep commitment to simple, elegant, modern design. He was not confused about symbolic language. He would have loved the idea of Sir Norman Foster's great new tower of London.

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THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

Table listing dividend and interest payments for various companies and funds. Columns include 'TODAY', 'TOMORROW', 'WEDNESDAY', 'THURSDAY', and 'FRIDAY'. Each entry includes the company name and the amount of the payment.

UK COMPANIES

Table listing UK companies and their board meetings. Columns include 'TODAY', 'TOMORROW', 'WEDNESDAY', 'THURSDAY', and 'FRIDAY'. Each entry includes the company name, the date of the meeting, and the location.

مكتبة الامير

مقالات العرب

MEDIA FUTURES



Now accessible at a screen near you: clockwise from left, Monet's 'The Beach at Trouville'; Raphael's 'An Allegory 'Vision of a Knight''; Canaletto's 'The Customs Point'; and John Everett Millais' 'Ophelia'

Time to download Delacroix

Art lovers need not trek to galleries to see the great works, says Stephen McGookin

For Anthony Roland, a 33-year crusade to safeguard the art he loves for posterity has taken on a special dimension. Roland's collection of 650 films on art features the work of 230 filmmakers from 26 countries, and has gone online in an extensive, content-rich Web site (www.roland-collection.com).

The site features a searchable database, organised by period or content, and a general alphabetical catalogue listing individual artists and subjects. It also has eight hours of video in 500 50-second clips, which at present download with painful slowness.

One thing Roland has in common with his fellow collector, Microsoft chief Bill Gates, is an eye for the commercial potential of online art. Institutions will continue to buy art in the way they have always done.

As with the Roland site, the Corbis online catalogue is updatable with the material that is added to the collection each week. Unlike Corbis, however, material from the Roland Collection cannot at present be delivered to purchasers digitally.

While Adams' portfolio may have sold millions of posters, calendars and books, the material contained in Roland's collection is aimed primarily at art enthusiasts rather than the mass market.

Net's backbone starts to flex

Delays are the bane of the service, writes Victoria Griffith

Every internet surfer has felt the frustration: the photograph that takes 10 interminable minutes to download, the "artwork" that constantly needs to be "updated", the World Wide Web site that cannot be accessed due to demand.

"I had some concerns myself a year ago, but the pace [at which] technology is being developed has made me optimistic," says Nihal Shah, president of the multimedia advertising group Spinnex.

Speed on the last mile depends on several factors: the PC's capability, the efficiency of the telephone wire into the home, and the quality of connection provided by companies such as America Online and CompuServe.

According to Forrester Research, a leading Net research group, the PC market is seeing a dramatic increase in demand for high-speed modems. More than half of cyberspace surfers in the US now use a modem capable of transferring 14.4 kilobits of data per second - a velocity considered state-of-the-art not long ago.

Cyber sightings

Something that genuinely makes you stop and say "wow, that's useful" is all too rare on the Net these days. But one such site is Visa's ATM locator: (http://visa.infonet.net/usa.html). This tells you where the three nearest automated teller machines to you are anywhere in the US (no such luck for Europe). The information is clear and helpful, and the interface tremendously

user-friendly. Yahoo's Internet Life presents the observations of Dave Barry, the exceptionally funny Miami Herald columnist, on the world of computers, such as "The Evil Genius of MS-Dos" (www.gil.com/yil/dbarry/index.html). His regular column at the Miami Herald is also available online at www.herald.com/tropics/barry.

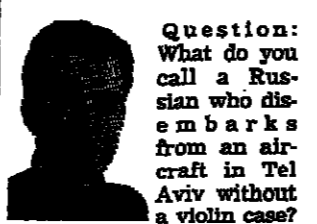
The National Security Archive (www.seas.gwu.edu/nsaarchive) is an independent research institute based at George Washington University. Its site features its collection of declassified US government documents acquired through the Freedom of Information Act.

Worth a look, particularly for the Cuban missile crisis and Nixon-Fresley meeting material. The Internet Telephony Consortium (http://www.itc.org) is a multidisciplinary research group at MIT, the US business school. It covers the issues surrounding interoperability between the Internet and traditional telephony.

A new site from the Tokyo Stock Exchange (www.tse.or.jp/etindex.html) will offer Topix data and other key market statistics and a sectoral classification of Japanese and foreign listed companies. Fancy dinner at The Ritz? If you can't make it to the London hotel, you can

Tim Jackson

From Russia with lag



Question: What do you call a Russian who disseminates information from an aircraft in Tel Aviv without a violin case? Answer: A pianist. Jokes like that are still doing the rounds of Israeli citizens bemused by the influx of more than 1m Russian émigrés to their country during the past five years.

way in the receiving country decodes the signal, launches a local telephone call from a modem to the customer's desired number, and connects the two together. It is the practice that is difficult.

alternative by more than 90 per cent, Davidson believes people will put up with far lower call quality, particularly if they use the service to reach their families rather than for business.

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BUSINESS TRAVEL

Travel News • Roger Bray

Agents' Cuba ban

American-owned travel agency chains have been forced to stop sending clients to Cuba by the US Helms-Burton Act...

to sell travel to Cuba. The company says: "We tend to sell travel to small businesses and Cuba is a marginal destination in any case..."

Capacity curbs

Munich's gleaming and graceful new airport appears to have elbow room to spare.

But according to Lufthansa it is running out of terminal capacity only three years after it opened. The airline has stated its intention of turning the airport into a major hub...

Smooth links

UK airline Virgin Atlantic, which starts flights between London and Johannesburg on October 2, has tied up a deal with South African carrier Sun Air...

Crossair grows

In what will be a significant expansion for Switzerland's Crossair next month, the airline receives five new 30-seat Saab 340 turboprops...

Shanghai plans

China has given the go-ahead for a huge new airport in Shanghai. Capable of coping with up to 20m passengers a year...

Likely weather in the leading business centres

Table with columns for city (London, Frankfurt, L. Airport, Paris, BEIRUT, DAMASCUS, Amman) and weather forecasts for Mon, Tue, Wed, Thu, Fri.

Next month, somewhere over Europe, the modern equivalent of an American riverboat gambler will carry a footnote in commercial aviation history.

First-class way to lose your shirt

Airlines insist that in-flight gambling will be just another form of entertainment, says Roger Bray

carrier, looks like being first off the blocks, installing gambling facilities in its BAE 146 jets from next month. Swissair still plans to be next, with the first of its fleet fitted out by November...

ogy has yet to be proven, and United Airlines is suing GEC-Marconi, alleging that the equipment it ordered did not fulfil expectations. The moral objections to in-flight gambling sound less than clear-cut...

only allowed in controlled premises. From what we gather, airlines would be offering that sort of gambling on aircraft, where they have a captive audience. People could be enticed into losing large amounts.

With one recent estimate suggesting that gambling turnover of \$1m a year per wide-bodied airliner could be achieved, some may find the revenue claim implausible. But there is little doubt that most carriers will try to ensure, as one put it, "that our passengers don't get off flights without their shirts".



example, plans stakes down to \$25 and a \$350 ceiling on losses per flight. Winnings, on the other hand could be as much as \$3,500. Passengers, however, ought to remember that it is much easier to lose \$350 when gambling with a commercial operator - that is, one who deducts a percentage of the stakes to cover costs and generate a profit - than to win \$3,500.

and Atlantic City, airlines will be keen to maintain "product continuity". United, for example, says it will be important to ensure that gambling is acceptable on a variety of routes - and not just on routes between cities known for a swinging, pro-gambling lifestyle.

tread cautiously. "We would like to do it", the airline says, "but before making the investment we would want to be sure it could happen on the vast majority of our routes, which are to North America." In July, the US Senate approved the establishment of a nine-member commission to look at federal policies on various aspects of gambling...

When policemen walk the crime beat

Bogus policemen are an increasing hazard for the unwary business traveller, Roger Bray writes. Hard on the heels of warnings to watch out for them in Romania comes a report that they are also on the crime beat in Iran...

from other valuables. Travellers should also declare all foreign currency taken into the country on a customs form or at the Tehran (Mehrabad) airport branch of the Bank Melll. Those who fail to do this could have their cash confiscated when they leave.

ate for travellers to the former Soviet bloc. Attacks and muggings are increasing on the streets of cities in the central Asian republic of Kazakhstan, including the capital, Almaty. Consular officials advise against using unmarked taxis and walking alone at night, and

warn visitors who are forced to use buses or trains that they should always travel in groups. Travellers in eastern Africa are advised that armed bandits are operating in and around Serengeti national park, following confirmation of an attack on 25 Italian and American tourists on

safari in the park last week. Three people were wounded, the Tanzanian authorities said. The three were taken to Nairobi, Kenya, for treatment. The Serengeti plain runs north across the Tanzanian border into Kenya, where it becomes the Masai Mara game reserve. The

Serengeti and Masai Mara are the most popular game-viewing areas in east Africa. Tanzanian authorities said the attack occurred about three miles from Serengeti Sopa Lodge in the southern part of the 5,905 sq mile reserve. The apparent motive for the attack, carried out

by about 10 bandits armed with guns, clubs and machetes, was robbery. The Tanzanian statement said no one had been arrested but that more than 100 men were involved in the search. In a second tourism-related incident, the Tanzanian Daily News has reported that three gunmen shot and killed a foreign exchange clerk last week at the Hotel Impala in the northern town of Arusha.

Large advertisement for American Express featuring a black and white photo of a man in a suit and a woman. Text includes 'in Italy was', 'very hard to get', 'what else, to you sooner', and 'THERE IS ONLY ONE AMERICAN EXPRESS'.



B

ARTS GUIDE

مكتبة الامم المتحدة

OPENINGS



ARTS



COPENHAGEN

As its contribution to Copenhagen's year as Cultural Capital of Europe, an exhibition which opens on Friday at the Louisiana Museum of Modern Art in Humlebæk places Picasso in the context of art produced by ancient civilisations of the Mediterranean.

More than 100 works by Picasso are placed alongside Mycenaean, Etruscan, Greek and Roman sculptures, vases and ceramics.

AMSTERDAM

Rembrandt and Vermeer, Jan Steen and other masters of the most popular of the Golden Age of Dutch painting - but, with the exception of a small group of the Mauritshuis in 1955, there has been no full-scale retrospective. This has been remedied by the Rijkmuseum. Nearly 50 masterpieces from public and private collections around the world can be seen in an exhibition opening on Saturday.

Be not afraid, but this hall is full of noises

Andrew Clark is baffled by the acoustics at the Hallé orchestra's inaugural concert in its new home

It looks hideous and the acoustics are a failure, but the building itself is user-friendly. That is the initial impression left by Manchester's new £42m concert hall, which opened at the end of last week with two concerts by the Hallé Orchestra.

Bridgewater Hall is the latest in a string of large concert venues built in the British regions in the past 15 years, and it was probably the most sorely needed. The Hallé, the oldest professional orchestra in the UK, had put up with the privations of Manchester's Free Trade Hall for long enough, and the musicians are cock-a-hop about their new home. Mancunian music-lovers are equally delighted that their city can finally take its place as a tour destination for international orchestras and recitalists. A new hall is a statement of self-belief: there is life in the old city yet.

The hall is nevertheless a disappointment. Set on a freestanding site next to a commuter road, its prow-like roof jutting above the main entrance, it looks like a squashed office development, all glass and grey precast panelling. In a city that has preserved so many durable buildings from the past, the new hall looks cheap and out of context.

The architects, the London partnership of Renon Howard Wood Levin, have made amends with the interior. The reception area, spread over several floors, are bright and spacious, and the 2,400-seat auditorium - a hybrid

of the shoe-box and "vineyard" design - draws everyone towards the stage: few halls combine such size and intimacy.

But the ultimate test of a concert hall is its acoustics. Judging by the Hallé's inaugural programmes (and a final verdict must await comparison with other orchestras), anything below mezzo forte sounds grainy and ill-focused, and anything above is fiercely bright and congested. There is no bloom on the strings, and no proper after-resonance. Why did Manchester choose Arup Acoustics, which was responsible for the flat sound of the new Glynedebourne theatre, rather than Artec Consultants which made such a success of Birmingham's Symphony Hall?

Bridgewater Hall has none of Symphony Hall's in-built capacity for acoustical adjustment. A few baffle-boards have been scattered behind the side balconies - but it is hard to imagine how the sound could be significantly improved, short of rebuilding the walls around the stage and tinkering with the ceiling (as San Francisco was forced to do, at huge expense, with Davies Hall). That is the price for choosing an untested design.

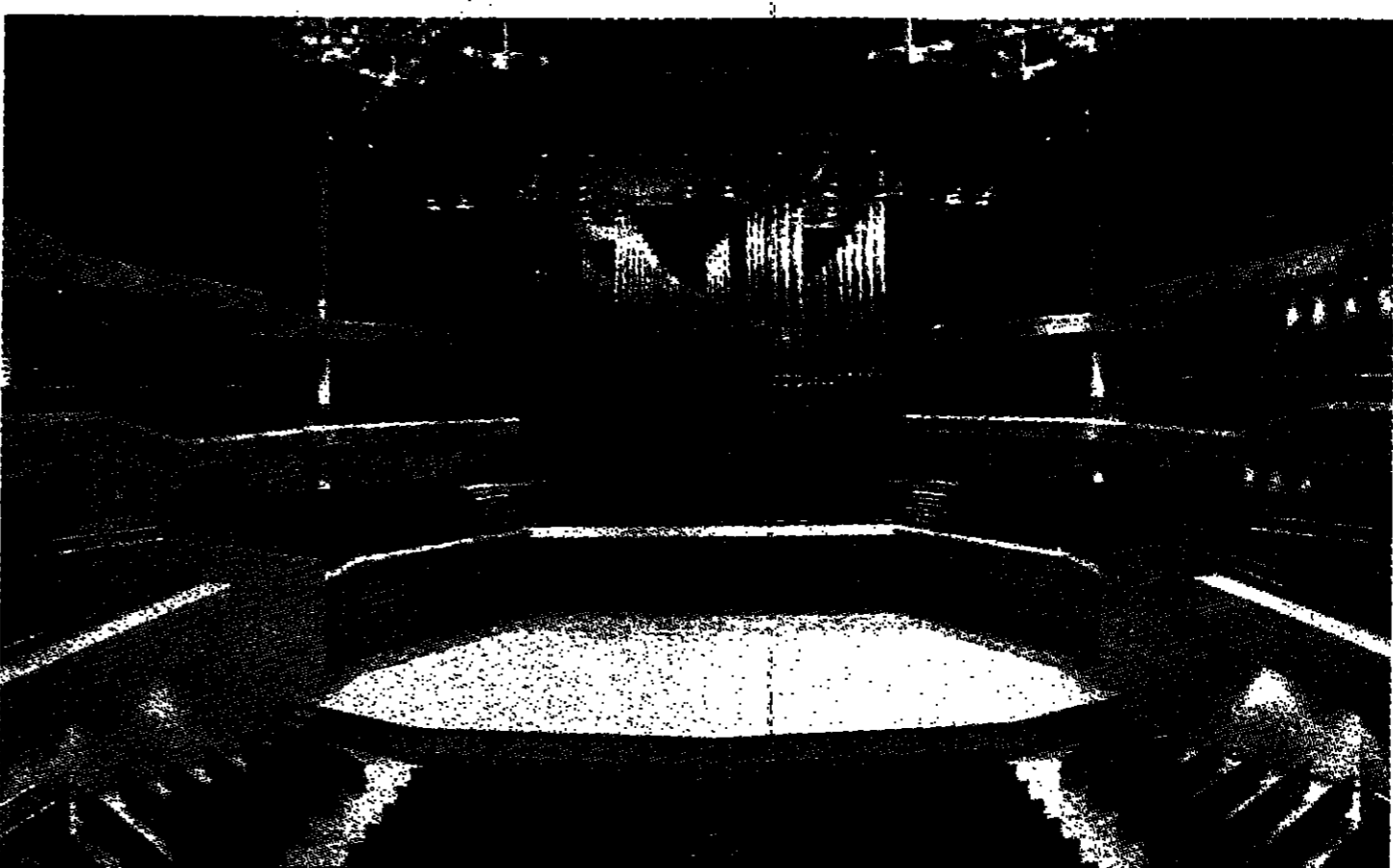
A bad acoustic is just what the hall's management company, Hallogon, does not need. Hallogon is a joint venture between the Hallé Concerts Society and Oden Entertainments Company,

a US-based company that also runs Manchester's main pop arena. With the building costs already paid by public authorities, Hallogon has no debt to service: all it must do is break even. If it succeeds, Bridgewater Hall will be the first symphony hall in the UK to exist without public subsidy. And if Manchester can do it, there will be a clamour to know why others cannot do the same.

Vicki Gregory, Hallogon's chief executive, has the experience to make it work. She has put together a starry recital series and asked the pianist Joanna MacGregor to devise an "alternative" programme aimed at young and first-time audiences. Any deficit incurred by expensive visitors such as the Chicago Symphony Orchestra should be covered by profits from cheaper guests. There will be jazz and light entertainment, and the hall can also sell itself as a daytime venue, with facilities for corporate entertainment.

This should provide an extra source of revenue for the Hallé, which badly needs the money. Alan Dean, its chief executive, is confident that despite a 20 per cent increase in ticket prices, the new hall can lift audience figures. But the Hallé remains seriously underfunded, receiving a fraction of the local authority subsidy that Simon Rattle's Birmingham orchestra receives.

Last year it made an operating loss of £75,000, to add to the accumulated deficit of £229,000.



User-friendly: the auditorium of Bridgewater Hall, which manages to combine size with intimacy

But money is not the Hallé's only problem. Its four-year-old partnership with Kent Nagano still does not make sense: here is an orchestra with a heart, a tradition and a loyal, conservative audience, matched to a conductor who, to judge by last week's performances of Elgar, Walton and Stravinsky, is slick, shallow and unpassionate. The orchestra does not need more John Adams (a Nagano speciality), two of whose pieces were included in the opening concert. It needs a music director who can revive its strengths in the core repertoire.

You do not have to look further than Yan Pascal Tortelier and the BBC Philharmonic, which will share Bridgewater Hall, for a conductor-orchestra relationship which works. So it is interesting that Nagano has extended his contract by only one year - hardly a vote of confidence in Manchester.

The two inaugural programmes were an odd mix. The first was all-British, prefacing the *Enigma Variations* and *Balachovitz's Feast* with a new work by George Benjamin. The second began with two more premieres, by Adams

and Thomas Adès, and continued with four of Debussy's *Baudelaire* songs orchestrated by Adams and *The Rite of Spring*.

Benjamin's *Sometimes Voices* for orchestra, chorus and tenor soloist takes its text from Caliban's speech from *The Tempest* beginning "Be not afraid, the isle is full of noises". An atmospheric and subtly orchestrated piece, it compels attention from the opening wisps of sound on xylophone and mandolin, threading its way through forceful tenor phrases (William Dazeley, excellent) and *Daphnis*-like choral spirits into a

perfectly-paced crescendo - before dying away in a trance. Less cerebral than Benjamin's other recent output, it is more substantial than its nine-minute length suggests.

Adams's *Slonimsky's Earbox*, a tribute to the Russian musical theorist Nicholas Slonimsky, is a minimalist showpiece, its repeated note sequences livened up by jaunty New World rhythms. Adès's *These Premises are Alarmed* is a three-minute musical joke - one worth telling, but over almost as soon as it starts.

Promenaders leave last night to the performers

Unlike his predecessor, Sir John Drummond, who was a "don't mess with the music" man, Nicholas Kenyon, the new director of the Proms, favours a "let joy be unbounded" approach to the last night shenanigans. Instead of being fussed for their hooters and tweets before admittance, Saturday's last nighters were positively encouraged to let rip.

In the event they turned in a strangely subdued performance. They ducked and dived and swayed at all the traditional moments in Elgar's *Pomp and Circumstance*, and in Henry Wood's *Sea-Song Fantasia*, but there was only a half-hearted hectoring for conductor Andrew Davis's annual report on the season - the best ever, and prizes for everyone - and most of the rude noises, paper darts and

streamers - came from the toffs in the boxes.

But then the British are always self-conscious about being extrovert in public, particularly if the theme is patriotic. The great popular national anthems - "Rule Britannia", "Land of Hope and Glory" and "Jerusalem" - were sung with enthusiasm but with little emotion. It is bad form to be seen to care too much.

Anyone who believes that the last night encourages jingoism is talking nonsense; the obvious niceness and reticence hiding beneath the sea of flags demonstrates a suspicion of nationalistic fervour. Indeed there was a good sprinkling of EC, Japanese and German flags.

For a real expression of Britishness it was better to be in Hyde

Park where, in a brilliant innovation, Kenyon had ordained an alternative Prom for the common people. There, 25,000 of the less pretentious tendency gathered with picnic, Union Jack flags, night lights, and oceans of good humour to listen to their own pop Prom, performed by the piano-playing Labèque sisters; flautist James Galway, and soprano Maria Ewing, followed by a relay from the Albert Hall.

This was a Radio 2 audience in the flesh and very sweet too. On a perfect summer evening classical lullabies rose too cloying but unlike most divas Maria Ewing sings show tunes naturally and with feeling and was the star of the show.

No doubt about who were the stars in the hall. Felicity Lott and

Ann Murray dominated the evening. Perhaps their good humour stilled the williness of the Promenaders: how can you upstage wit and sophistication? When Dame Felicity got a grander bouquet than Ms Murray after their *Mollam Butterfly* duet they indulged in some competitive badinage which even managed to make the notorious cat duet marginally amusing.

The Prom in the Park was a great success and must be repeated: the Prom in the hall is a safe and comforting national ritual; the Proms themselves have never been in better shape, as the almost 90 per cent capacity for the season proves. In them classical music flourishes.

Antony Thorncroft

As part of the crescendo towards the last night, the Chicago Symphony Orchestra took the stage for a pair of Proms on Thursday and Friday. Like most of the American "big five", it has managed to hold on to a prominent place in the world's orchestral hierarchy and can afford the pick of the top conductors.

To the Proms it brought Daniel Barenboim and Georg Solti, its music directors present and past respectively. They have been the main influence on how the orchestra played for a quarter of a century, so the Chicago sound is partly their making. Take a virtuosic orchestra of the American style, with plenty of beefcake in the strings and razzmatazz in

the brass; fry with Solti's sizzling energy and stir in a thick sauce of Barenboim's rich romanticism.

That is the Chicago Symphony Orchestra that we have today, an unadorned world leader, even if its style can be an acquired taste. In Barenboim's concert - a contrasting programme of Schoenberg's *Five Pieces for Orchestra Op.16* and Bruckner's *Eighth Symphony* - the playing was bullishly confident, a weighty body of strings crowned at the climaxes by a massive brass chorus. But I missed the subtlety that European orchestras can bring to this music.

If Barenboim's concert was about triumphant power, then Solti's had fighting muscle. His performances of Beethoven's *Ninth Symphony* have always

been strong on combative energy and the muscular Chicago strings really dig into the music for him. So much emphatic playing made hard work of the first half of the symphony, which became a dogged assault on Everest, and it was not until the finale that the performance suddenly sprang to life. Solti's magnificent sense of drama is undiminished.

With René Pape's impressive bass leading the solo quartet and an all-professional chorus made up of the BBC Singers and London Voices, the symphony's triumphant ending brought a tumultuous reception from the Promenaders. Faced with applause that refused to stop, Solti finally made a little speech, telling them they were the best audience in the world but now it was time to "Go home!" Yes - but only until next year.

Richard Fairman

INTERNATIONAL ARTS GUIDE

- AMSTERDAM**
CONCERT
Concertgebouw Tel: 31-20-5730573
● Ruslan and Ludmila: by Glinka. Performed by the Choir and Orchestra of the Kirov Opera with conductor Valery Gergiev. Soloists include Larissa Djadkova and Marina Shaguch; 2pm; Sep 21
- BERLIN**
CONCERT
Philharmonie & Konzerthaus Tel: 49-30-2614363
● Deutsches Symphonie-Orchester Berlin: with conductor Viedmár Ashkenazy, pianist A. Lubimov, soprano C. Berainsky, mezzo-soprano S. Doukedis, organist A. Gast and the Ernst Senft-Chor perform works by Debussy, Ravel and Scriabin; 8pm; Sep 21
- BONN DANCE**

- CHICAGO**
THEATRE
Candlelight Dinner Playhouse Tel: 1-708-496-3000
● Seven Brides for Seven Brothers: by Kasha & Landay. Directed by David Parkovich and performed by the Candlelight Dinner Playhouse. The cast includes Kaitly Voytko and Robert Gallagher; Wed 2pm & 8.15pm; Thu, Fri 8.15pm, Sat 4.15pm & 8.30pm, Sun 2.15pm & 7.30pm; to Oct 20
- COLOGNE**
CONCERT
Kölner Philharmonie Tel: 49-221-2040820
● Hermann Prey; accompanied by pianist Michael Endres. The baritone performs ballads by Carl Loewe; 8pm; Sep 19
- DUSSELDORF**
EXHIBITION
Kunstmuseum Im Ehrenhof Tel: 49-211-6992460
● Bertram Jędrski: exhibition featuring works by this painter, sculptor and film maker, who died in 1992. The display includes large-scale paintings, sculptures, drawings, collages, installations,

- HELSENKI**
EXHIBITION
The Museum of Foreign Art, Sienkiewicza Tel: 358-0-17336380
● Homage to Holy Alexander of Svir, the Great Karelian Saint: exhibition of artwork on the subject of Holy Alexander of Svir, dated between 1400 and 1600. The display includes icons, silk, gold, silver and pearl embroidered textiles as well as objects made of gold, silver and gemstones. The works come from the collection of the Russian Museum of St Petersburg; to Nov 25
- LEIPZIG**
OPERA
Oper Leipzig Tel: 49-341-1261261
● Carmen: by Bizet. Conducted by Jörg Krüger and performed by the Oper Leipzig and the Gewandhausorchester Leipzig. Soloists include Cornelia Helfricht, Zuzanna Bazynka, Louis Gentile and Tomas Möwes; 7.30pm; Sep 20
- LONDON**
CONCERT
Barbican Hall Tel: 44-171-6384141
● The Dream of Gerontius: by Elgar. Performed by the Birmingham Symphony Orchestra with conductor Richard Hickox; 7.30pm; soprano Jean Littlefield; John Alex; baritone Peter Colverson-Wright and the

- MADRID**
EXHIBITION
Biblioteca Nacional Tel: 34-1-5807800
● Ydionca Universal: exhibition focusing on Francisco de Goya's graphic work. The display features not only works by the Spanish artist, but also those by contemporary artists and old masters, including Ceán Bermúdez, Dürer, Carraci, Piranesi, Rembrandt, Rubens, Van Dyck and Tiepolo. The exhibition features more than 300 works, including prints, sketches, drawings, books and manuscripts; from Sep 19 to Dec 19
- MUNICH**
OPERA
Nationaltheater Tel: 49-89-21851920
● Die Meistersinger von

- MUNICH**
CONCERT
Nürnberg: by Wagner. Conducted by Peter Schneider and performed by the Bayerische Staatsoper. Soloists include Adriano Picconica, Silvia Fichtl and Bernd Weid; 8pm; Sep 19
- NEW YORK**
EXHIBITION
Solomon R. Guggenheim Museum Tel: 1-212-423-3600
● Meret Oppenheim: Beyond the Teacup: the first US retrospective of the work of Swiss artist Meret Oppenheim. The exhibition spans more than 50 years of the artist's oeuvre, which has traditionally been associated with a single work, "Object (La Dejeuner en fourre)". Bringing together more than 100 loans from Europe and the US, the exhibition includes sculpture, painting and works on paper, ranging in date from 1931 to 1985; to Oct 9
- PARIS**
CONCERT
Musée du Louvre Tel: 33-1 40 20 50 50
● Boje Skovhus: accompanied by pianist Helmut Deutsch. The baritone performs works by Brahms, Grieg and Zemlinsky; 8pm; Sep 20
- SAN FRANCISCO**
CONCERT
Louise M. Davies Symphony Hall Tel: 1-415-864-6000
● San Francisco Symphony: with

- SYDNEY**
EXHIBITION
The Powerhouse Museum Tel: 61-2-21701111
● Treasures from the Kremlin: the world of Fabergé: five of the remaining Fabergé Easter Eggs designed and created by the Russian jeweller Peter Carl Fabergé are among the works featured. The exhibits come from the collection of the Armoury Museum at The Kremlin; to Sep 20
- WASHINGTON**
EXHIBITION
The Phillips Collection Tel: 1-202-387 2151
● Impressionists on the Seine: this exhibition explores the origins and context of Renoir's painting "Luncheon of the Boating Party" of 1880-81, for which no preliminary studies exist. The exhibition features 60 paintings from international collections by such artists as Renoir, Monet, Manet, Pissarro, Caillebotte, Morisot and Sisley; from Sep 21 to Feb 9

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FINANCIAL TIMES

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Monday September 16 1996

Bonn tightens its belt

Chancellor Helmut Kohl won a series of vital votes in the German Bundestag on Friday, clearing the way for curbs in the cost of the welfare state. The whole austerity package is an essential precondition for Germany to fulfil the Maastricht criteria for European economic and monetary union. These were votes the Chancellor had to win, and he did so with an impressive demonstration of discipline within the ranks of his ruling coalition.

Undoubtedly, the need to meet the Maastricht criteria has concentrated minds in Bonn. It has focused attention not just on short term budget rigour but on the much more important structural reforms needed in the high-cost, high-benefit German economy.

Spending cuts have been imposed on almost all government departments to meet Mr Theo Waigel's planned DM25bn savings. In addition, the finance minister intends to carve DM20bn out of the state insurance and pension funds, and to cajole the 16 Länder into cutting a further DM25bn from their spending plans. He is by no means home and dry.

This is harsh medicine for a country which has got used to its comfortable lifestyle. But it is overdue. For example, Germany's generous sickness pay has produced an abnormally sickness-prone workforce. Cutting the entitlement should help. Raising the pensionable

age for women may be unpopular, but it is surely a more sensible reaction to rising life expectancy than the current trend to early retirement.

Another controversial measure will reduce job security in small businesses. Paradoxically, it is intended to boost job creation, by making it less risky to hire new workers. The move encapsulates the gamble on which the whole package is based: that it will create jobs, while curbing spending.

Much of Mr Waigel's planned savings are supposed to come from ending all subsidies to the Federal Labour Office, which does out unemployment benefit. But if unemployment does not drop sharply from the present 4m mark, the only way to reduce benefit payments.

Mr Waigel's other gamble is on the good sense of the Länder, most of them ruled by the opposition Social Democrats. They have so far failed to produce spending-cuts which come near their DM25bn target. They are also resisting his tax reforms, and his plan to delay an increase in child allowances. They will undoubtedly demand a price for their acquiescence.

Friday's vote in the lower house was therefore an important psychological signal that Germany is aware of the need for far-reaching reforms. But getting there is not guaranteed. It will still be a long and painful process.

Airbus's future

The plan by Airbus Industrie to build a 550-seat aircraft, the A3XX, will require changes to the way the European consortium operates. Airbus has said its existing shareholders - Aérospatiale of France, Daimler-Benz Aerospace of Germany, British Aerospace and Casa of Spain - cannot build the aircraft on their own. Other companies, from Europe and Asia, will have to be involved. Airbus has also committed itself to abandoning its non-profit making status, turning itself into a company responsible for its own financial health.

One aspect of Airbus practice is unlikely to change, however: European governments will be asked to contribute to the cost of the A3XX, which Airbus puts at \$8bn. International agreements permit up to a third of development costs to come from state funds. But before they can commit taxpayers' money, governments will need to establish some ground rules and ask some searching questions.

First, they will have to insist that there is no question of subsidising the A3XX. If governments are to invest, it must be because the project provides them with the prospect of a decent return.

The second question is whether the A3XX is the right aircraft. Its champions argue that Airbus needs to offer a complete family of aircraft if it

is to compete with Boeing. Airlines like to buy aircraft from a single manufacturer because it cuts training and maintenance costs. Airbus is at a disadvantage because it has no aircraft to compete with the Boeing 747, which carries 400 passengers. Boeing is planning to "stretch" the 747 to create an aircraft with 550 seats. Hence Airbus's desire to build the A3XX to compete.

However, it is not clear that the market for 550-seaters will be big enough to make the A3XX a commercial proposition. Boeing says it expects airlines to buy 470 aircraft with more than 500 seats over the next 20 years. Airbus says the figure is 1,400. What should worry European governments is that the Airbus partners' individual figures are closer to Boeing's.

An alternative would be for Airbus to consider how it can compete against the heavily stretched 747 rather than the stretched version, which will almost certainly find fewer takers. Airbus is already considering stretching its A340, increasing its capacity from 300 to 370 seats. A stretched A340 is not a complete answer as it is slightly smaller than the existing version of the 747, but it would extend the Airbus product range. European governments should be asking whether this project should not be given priority over the A3XX.

Golden eggs

Only a Mafia boss would expect, after taking his goose to market, to carry on collecting eggs. However, this is in effect what the UK government has achieved from its privatisation programme during the last 12 years.

Those who accused the Conservatives of selling the family silver picked quite the wrong cliché. Silver brings no income, except, perhaps when it is on the broker's lunch table. Privatised industries on the other hand, have nearly all made substantial profits.

Some, including the Labour party, have criticised the large rewards to shareholders and senior executives. But they have often neglected to consider the proportion of gross earnings which continued to flow back to the public purse via corporation tax, interest and repayments of debt.

A study published this weekend by the Centre for Policy Studies, a Conservative thinktank, shows that since 1989-97 the government has received a net inflow of £8.5bn a year, or an average of £8.5bn a year, from the industries that are now fully privatised.

Only half of this came from their sale. About £7bn of it represented transfers to the government by industries that had not yet been privatised. That still left an average

of £3.6bn a year which the privatised companies were paying back to the government. This was 10 times the benefit received in the five years up to March 1984, when the geese were all nationalised.

These figures leave room for argument, for example about the extent to which the industries were fattened for sale, the role of the debts which they carried at privatisation, and whether profits since then were excessive.

Nevertheless, it is clear that the large efficiency gains which resulted from privatisation have been shared not only between customers and shareholders but to a significant extent with taxpayers.

The benefit to the exchequer will decline, as government debts are repaid and as profits are more closely controlled by regulators. But the flows are likely to be higher than before privatisation.

For these reasons, the Labour party's plan for a windfall tax on the privatised utilities would be perverse as well as unjust. The new government will need to keep the golden eggs rolling into its coffers.

This will happen only if the industries retain an incentive to make profits, a concept still new to Labour.

The FT Interview • Eddie George



Walking the Emu tightrope

The Bank of England governor talks to Gillian Tett and Andrew Gowers

As the governor of the Bank of England mulls prospects for European monetary union this autumn, one word peppers his speech. "Constructive," Mr Eddie George mutters, as he taps at elegant wooden table to emphasise his point. "Up to now the Emu process has been conducted in a constructive environment. I would very much regret it if that were to change."

The phrase is carefully chosen. But it still has a defensive ring. For as Germany and France press ahead with plans for a single currency, the euro, Mr George, who celebrated his 58th birthday last week, is juggling an increasingly delicate brief.

He is fighting to convince his fellow Europeans that the UK should remain at the centre of Emu preparations. But few now believe that Britain will be an early participant - and Mr George is apparently not among them. At home, he is struggling to sustain support for the UK government's "opt-out" from Emu - while reassuring the City that it will not suffer from the resulting political uncertainty.

Mr George's answer to these dilemmas is to call for macro-economic pragmatism: in an hour-long interview the word "constructive" crops up a dozen times. But there can be no disguising his unease at growing hints that the mood in continental Europe is shifting against the UK - even in hitherto polite debates between central banks.

The episode which has triggered his unease is a wrangle over a future European Union system for cross-border interbank payments, known as Target. Until recently, the UK had hoped for equal access to the system, even if it stayed outside Emu. But among central bankers in the European Monetary Institute - forerunner to a European central bank - France and Germany are insisting non-participants in Emu should face restrictions.

The threat has alarmed the City. Now, after two months of silent reflection, Mr George has entered the debate - to reassure UK-based banks. "There will not be serious implications for the City if access is restricted. There are lots of other possibilities for payment, like the Ecu clearing system and correspondent banking." Exclusion from Fedwire, the US Federal Reserve's same day money transmission service for member US banks - has not harmed the City, he adds.

Nonetheless, the Target dispute has stung - not so much for its technical or practical effects as for its political overtones.

"For the first time something has been introduced into the Emu discussion which is discriminatory for a non-monetary reason," Mr George says. "The French banks and some of the German commercial banks have explicitly argued, 'Aha! We can stall a competitive march.'"

"This could change the nature of the debate. It would move from a constructive environment where people were all working together to one where people were in a different game of protecting national interests."

For these fears about the narrow question of Target highlight a broader problem: how the future "ins" and "outs" will relate in Emu.

Mr George insists - unsurprisingly - that a single currency must not divide Europe. And he still believes this can be prevented by a consensus to pursue stable macro-economic policies.

"Frankly, that consensus is what is critical for the 'ins' and 'outs'. If the 'ins' want to develop

budget deficits and debt should fall below 3 per cent and 60 per cent respectively of gross domestic product in 1997. "I think it is less likely [that the conditions will be in place for Emu] than it looked a year ago," he says.

As a result he worries that the pressure will be on to fudge the criteria, which would only make matters worse. "You can understand the political impetus - but people have to understand that if the economics go wrong it will produce political tensions rather than removing them."

"Even if you manage to meet the criteria there are still risks that convergence will not be sustained. But if you don't even meet the criteria you are escalating the risk all the time. If the judgment in the spring of 1996 is that the convergence is not sustainable then the sensible thing for the ministers to do will be to delay."

Emu enthusiasts fear this could provoke market turbulence or tempt governments to abandon budget cuts. But Mr George

who are unlikely to be founder members will inevitably carry diminished weight.

Mr George denies he is losing influence over the process. "I don't think that there is a loss of leverage for the UK at the moment," he says. "If you have a valid point to make, everyone has been prepared to listen to it. It is also true that the Bank has won plaudits from other EU central banks for its contribution to Emu preparations."

But the governor is aware that the negotiations are now moving from the technical to the political arena. And here, the UK's ambiguous stance towards Emu risks undermining its influence.

In any case, Mr George does not disguise his own doubts about UK membership: in casual speech he refers to the likely "ins" as "they" rather than "we". And his views on Emu itself carry an increasingly sceptical tinge.

He fears, for example, that key countries such as France and Germany will miss the Maastricht convergence criteria that

OBSERVER

Can we see the books?

Andrew Crockett, the former Bank of England deputy governor, has a problem. He has sold his house in the Cotswolds and is looking for a new one. It can only be bought if the buyer is willing to accept a 10 per cent discount on the asking price of £1.2m.

Mr Crockett is not alone. The Bank of England has a large number of properties for sale, many of which are being sold at a discount. This is because the Bank is looking to raise cash to help fund its operations.

The Bank's properties include houses, offices, and land. Some of the houses are in the Cotswolds, a popular area for wealthy buyers. The Bank is offering a 10 per cent discount on the asking price of these houses to attract buyers.

The Bank's properties are being sold through a real estate agent. The agent is offering a 10 per cent discount on the asking price of these properties to attract buyers.

The Bank's properties are being sold at a discount because the Bank is looking to raise cash to help fund its operations. The Bank is offering a 10 per cent discount on the asking price of these properties to attract buyers.

Heavy weather

Northern Italians often moan about state bureaucracy and inefficient public services, accusing Rome's politicians of being corrupt and its civil servants of idleness. If the weekend's journey down the river Po by Umberto Bossi, leader of the successful Northern League, is anything to go by, northerners are probably better off with what they already have.

The Bossi demonstrations and meetings were organised with rather less slickness than the average Neapolitan post office, with a punctuality emulating the state railways and national

Network oracle

Larry Ellison has returned from vacation tanned as a hot dog and firing on all barrels on behalf of his cheap network computer idea.

The Oracle database chief is now on tour, proclaiming his surprise his idea "has proved so controversial". Since all he has to show is a well-thumbed dummy of the dream machine he intends shall house \$25-worth of Oracle software, "controversial" perhaps isn't the word.

But Ellison is not on propaganda. He reckons his idea will soon make dinosaurs out of web browsers, and that the stock market has got it all wrong about glamorous Internet-based companies. The time's nigh for his NO, a stripped-down personal computer which uses programmes and storage from remote servers accessed via the Internet. "Everyone will have it," says Ellison.

Price - or the lack of it - is the thing, according to Ellison. Early this year, when he

Money in muck

Theo Waigel, lord of Germany's creaking state coffers, is a trifle exasperated by local authorities: he feels they aren't doing enough to privatise or save money. But signs are emerging that Waigel's message about better managing of resources is finally getting through.

Take Hanover. Along with the rest of the state of Lower Saxony they conducted local elections yesterday. Because conventional ballot boxes are too expensive, Hanover decided to use rubbish bins instead. Five hundred specially customised big yellow trash containers were brought into action.

Each bin costs just over DM50, while ballot boxes cost DM170 a shot - a saving of almost DM60,000. Waigel will be pleased.

50 years ago

Future Trading
Future trading conditions in the world's markets were discussed by Mr Percy Lister, chairman of R.A. Lister and Co. before the British Engineers' Association. Mr Lister recently completed an 8,000-mile tour investigating the conditions of markets for the products of British capital equipment engineers. Here are some of his comments on countries visited.

CANADA - This great Dominion has come out of the last great war in a sounder financial and economic position than most parts of the Empire. The benefits accruing to this fundamentally great primary producing country, as a result of our buying Canadian bacon during the war and the consequent introduction of mixed farming into those wheat producing areas of the Dominion has done much to overcome one of Canada's pre-war great domestic economic problems.

UNITED STATES - The spending and purchasing power of the American people has reached a phenomenally high level, and while much thought and talk is given to American export targets, the fruits awaiting purchasers of capital and consumer goods, rich as they are in their domestic market, is bound to attract the prior attention of American manufacturers.

Brossette BTI
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FINANCIAL TIMES

Monday September 16 1996

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Still-birth of a new nation

Mr Umberto Bossi, leader of Italy's separatist Northern League, arrived in Venice yesterday at the head of a flotilla of boats and declared the independence of the Padania Federal Republic from the Italian state.

Although he had forecast that his people would turn out during three days of rallies to witness the birth of a nation, it was a still-birth and only 18,000 were present to hear his speech.

The secessionist declaration was the climax of three days of gesture politics by the abrasive Mr Bossi. While the rest of Italy was dismissive, some in the putative state of Padania - an ill-defined area of northern Italy - found it hard to summon interest.

Asked if he had felt the "Bossi effect", a barman in Boretto, a village on the banks of the River Po and allegedly

David Lane in Venice witnesses the lacklustre "secession" of Padania

Northern League to the core, replied: "No, I slept quite happily."

The indifference came as a relief to the government which had been concerned that demonstrations linked with Mr Bossi's three-day progress from Turin down the River Po - seen as the artery of Padania - might turn violent.

Although many commentators have ridiculed Mr Bossi's secessionist threats, others view them as an assault on the unity of the Italian state. Mr Romano Prodi, the prime minister, had warned that Rome would be "vigilant but inflexible".

The events of the weekend took on a sour note for Mr Bossi with an announcement by magistrates in Turin, in north-west Italy, that they would open investigations into

the south, the *mezzogiorno*.

There were few visible signs of support for northern independence yesterday in the prosperous agricultural towns and villages alongside the Po. The only clashes were between police and extreme rightwing supporters of a united Italy. Mr Gianfranco Pini, leader of the rightwing National Alliance party, attracted at least 150,000 supporters in Milan in a carefully prepared march for unity.

The substantial police forces marshalled on the banks of the Po, the security forces on bridges and the police under-water teams were barely used.

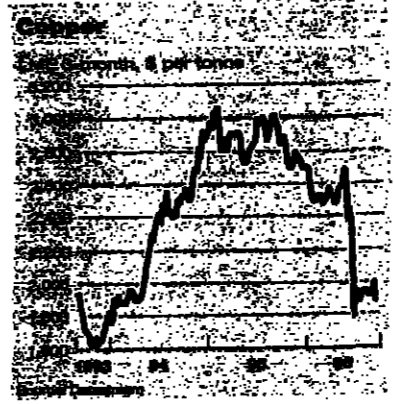
The weekend's events illustrated Mr Bossi's capacity for staging political theatre, but may also mark a watershed: even ardent backers attending the rallies said secession is not necessarily the aim and that greater regional autonomy would be sufficient.

THE LEX COLUMN

Lifting the veil

The Olivetti affair has raised questions about the accuracy of the Italian high-tech group's reported results. But, even if the figures prove entirely accurate, they are far from ideal. The main problem is that Olivetti does not give a proper divisional breakdown of profitability. True, the group has for the first time stated its divisional operating profits. Unfortunately, the figures are not much use because it has not revealed the assets of each division. So there is nothing to stop assets being shifted around the group to flatter the profitability of some divisions at the expense of others. The inadequacies of Olivetti's accounts are far from unique in Europe. Many companies, including most Italian ones, produce no divisional breakdown at all. Others - Roche is a typical example - only give sales by division; so one knows precious little about the profitability of different businesses. French companies do tend to give profits by division, but often these are net of interest and tax: unless one knows how much debt each division is carrying, that is pretty useless too.

Ideally, companies should publish operating profits, depreciation, capital expenditure and assets by division. Investors can then calculate returns on capital for each business and make informed judgments about whether managers are right to invest in a particular area or should make cuts. Such information would, of course, help shareholders hold managers to account for their strategic decisions - which may be one reason most companies do not divulge it.



capital is committed at the start.

This matters in practice. Take, for example, two projects both costing £100m, of which £10m is needed up front and the rest later. Assume project A will produce a return of either £10m or £120m and project B, either nothing or £180m. Project A's NPV is £15m, while project B's is minus £10m. Applying NPV methods alone, one would conclude the first project was better and the second should be discarded.

But the fact that only minimal capital is sunk at the start of the project is crucial. If, as in many R&D programmes, the first £10m produces no results, the project can be dropped; but if the results are good the further investment may be almost risk-free. So the real choice is project B may be between a loss of £10m and a profit of £80m - clearly an attractive investment.

Starting an R&D programme is in effect like buying an option on a return that is uncertain now but which may become clearer in future. The initial investment equates to the price of the option; and spending another lump of capital is like exercising the option - something a company needs to do only if it is confident it will be in the money.

Not surprisingly, an approach which uses this type of thinking is based on the Black-Scholes model used to value financial options. This method, called option modelling, allows companies to incorporate a range of risk factors into a single model. That makes it more useful than an NPV sum, where the only knob you can twiddle is the discount rate. And whereas NPV calculations implicitly assume that a project once begun cannot be stopped, option modelling gives companies a framework they can use to judge whether their underlying

assumptions have changed.

According to PA Consulting, some big oil and pharmaceuticals companies are already using option modelling. It can also help investors value biotechnology stocks, whose future profits typically depend on the outcome of a small clutch of R&D programmes.

More generally, if companies learn to assess risk with greater precision, they should be able to take on more high-risk, high-return projects and manage them better. That should boost their productivity, innovation and ultimately their value.

Metals prices

In the mythology of the metals business, 1996 will forever be associated with Mr Yasuo Hamanaka, the infamous Sumitomo trader whose manipulation of the global copper market led to his firm suffering \$1.8bn losses. But the latest bout of nerves over the outlook for base metal prices reflects concerns about growth prospects for the Group of Seven leading industrial countries in 1997.

It has already been a disappointing year; high expectations have been dashed, with average copper and aluminium prices 20 per cent and 15 per cent respectively below 1995 levels. Some observers remain optimistic about next year. Last week RTZ, the world's largest mining group, predicted a "rising trend over the next 18 months at least". But the grounds for optimism are far from assured. September is normally the month when European customers return from holiday and place forward orders. This year the phones have stayed ominously silent. The economic outlook, meanwhile, is hardly encouraging. Growth in Europe's economy, staggering under the deflationary Maastricht burden, will be lucky to exceed 2 per cent next year. The US economy is expected to slow, and Japan remains fragile. Inflation is also very subdued, and looks likely to remain so.

This is all a far cry from the supportive backdrop to the 1994 bull rally when commodities played their traditional role of inflation hedge as investors fled the fixed income market meltdown. Declining stock levels indicate that the market should tighten over the next year, lending some support to prices. But without the prospect of a robust global upswing, the champagne will have to be kept on ice.

US adopts 'wait and see' position over Iraq action

By Patti Waldmeir in Washington and Foula Khaier in London

The US appeared yesterday to back away from another immediate confrontation with Iraq. A senior US official said Washington would closely monitor the actions of President Saddam Hussein, but would not be "pressed into overreacting".

Mrs Madeleine Albright, the US ambassador to the United Nations, said the US did not believe it would face further provocation from Iraq.

"It looks as though Saddam Hussein is not going to do anything else," she said in a television interview, adding the big US military presence in the Gulf represented "a very strong deterrent" to Baghdad.

After stepping to the brink of confrontation last week, when Defence Secretary William Perry threatened "disproportionate" action against Baghdad, the US administration yesterday put officials on national television to outline a "wait-and-see" attitude to further attacks. They hinted the US might refrain from further retaliation, unless provoked.

Meanwhile, Washington's efforts to present a united front against President Saddam received a series of setbacks yesterday, when Mr Perry was rebuffed by Saudi Arabia and Kuwait during a visit to the region.

Saudi officials said they were unavailable for a morning meeting with Mr Perry, forcing him to return to the Kingdom later in the day. Reflecting Saudi Arabia's desire to defuse Iraq-US tensions, Prince Sultan, the Saudi defence minister, has said he does not expect further US

Bank warns of Emu rift

Continued from Page 1

treaty, and said a delay would be preferable to dilution.

● Believed the City of London would reap large benefits from monetary union even if Britain was not a founder member.

● Disagreed with Eurosceptics who say Britain's Conservative government should rule out participation in Emu before the next election.

● Had only slight disagreements with Mr Kenneth Clarke, UK chancellor, over the level of interest rates. Their differences were "very small - within the margin of error, though we continue to hold to our view (on monetary policy) firmly".

Mr George's remarks come as the Bank publishes a report which says Emu preparations in the City are well advanced, and expresses confidence that the UK financial sector will be able to handle the euro by 1999.

Boom in corporate law work

By Robert Rice in London

The UK's leading commercial law firms are enjoying a boom in corporate work unseen since the late 1980s supported by the increasing success of their international operations. According to the annual survey conducted by Legal Business magazine, published today, Clifford Chance, one of the top five UK legal firms, earned \$92m (\$143.5m) or one-third of the firm's gross revenues from its foreign offices in 1995-96.

The study says Clifford Chance's success abroad, the result of 20 years' investment in overseas offices, could encourage the two arch conservative UK legal practices,

Slaughter and May and Linklaters, to expand their foreign operations to keep pace.

Slaughter and May remains the most profitable UK law firm, however, with average profits per partner of £460,000. The top 100 firms billed \$3.35tn in fees in 1995-96, an increase of \$225m over the previous financial year and \$500m more than in 1992-93.

According to the survey, the highest-paid lawyers in the City are at Slaughter and May where senior partners earned £560,000 last year. Those in their first year as junior partners earned £280,000.

London financial circles believe that the study has considerably underestimated the earnings of senior partners in the top firms.

One partner from a top five firm expressed relief that the figures for his firm were low, but said the high earnings were justified.

"When you take account of the fact that partners must provide for their own pensions, don't get bonuses or share options and can't limit their liability, their earnings don't seem out of line with those of senior company directors," he said.

The survey shows that the top five firms, Clifford Chance, Linklaters & Paines, Freshfields, Allen & Overy and Slaughter and May, have increased their lead over the rest. Lovell White Durrant, the sixth-placed firm, suffered a fall in revenues from £116m in 1994-95 to £113m.

Bosnia poll endorsed

Continued from Page 1

dency - are expected to emerge today.

After shuttling between Bosnian President Alija Izetbegovic and Serbia's President Slobodan Milosevic, Mr Holbrooke announced that the two Balkan leaders would hold their first bilateral summit in three weeks in Paris. Diplomats said that if the meeting went ahead, it would seal the establishment of full diplomatic ties between Sarajevo and Belgrade.

If the OSCE formally approves the election, UN sanctions against Belgrade, which were suspended after Dayton, will be lifted automatically within 10 days.

FT WEATHER GUIDE

Europe today
High pressure will strengthen over Norway, improving conditions over Scandinavia and countries around the North Sea. The area will be mainly dry with sunny periods and temperatures just below seasonal levels. An active low pressure system over eastern Europe will produce plenty of rain from north-eastern Europe into Poland. The Mediterranean will be mainly dry with sunny periods. Central and southern Italy will have a few thunder showers. Portugal will have heavy rain from the west at the end of the day.

Five-day forecast
Low pressure systems will move across southern Europe, triggering plenty of heavy rain and thunder storms during the week. High pressure will persist over northern Europe, producing mainly sunny skies.

TODAY'S TEMPERATURES

| | | | | | | | | | |
|-----------|----|-----------|----|-------------|----|---------------|----|------------|----|
| Madrid | 23 | Barcelona | 20 | Frankfurt | 16 | Moscow | 12 | Rangoon | 32 |
| Cairo | 28 | Geneva | 13 | London | 15 | Madrid | 17 | Rangoon | 27 |
| Algiers | 28 | Chicago | 14 | Glasgow | 16 | Manila | 27 | Rangoon | 27 |
| Amsterdam | 17 | Cologne | 16 | Hamburg | 15 | Mexico City | 21 | Singapore | 32 |
| Athens | 24 | Dallas | 20 | Helsinki | 13 | Montreal | 17 | Sydney | 23 |
| Bahia | 27 | Dhaka | 29 | Hong Kong | 28 | Mumbai | 33 | Taipei | 25 |
| S.Africa | 27 | Dubai | 31 | Honolulu | 32 | Osaka | 30 | Tokyo | 25 |
| Bangkok | 30 | Dublin | 16 | London | 15 | Paris | 19 | Toronto | 18 |
| Batavia | 24 | Edinburgh | 18 | Los Angeles | 24 | San Francisco | 22 | Vancouver | 17 |
| | | | | Las Palmas | 22 | New York | 25 | Vancouver | 18 |
| | | | | Lima | 15 | Nice | 18 | Vienna | 13 |
| | | | | Liège | 15 | Niagara | 11 | Warsaw | 11 |
| | | | | London | 21 | Oahu | 18 | Washington | 26 |
| | | | | Luxembourg | 15 | Perth | 18 | Wellington | 15 |
| | | | | Lyon | 19 | Perth | 18 | Wellington | 15 |
| | | | | Moscow | 28 | Prague | 12 | Zurich | 18 |

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteorological Service of the Netherlands

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September 1996

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